# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,898 — Tuesday April 8 1986 — D 8523 B


**Cheaper oil adds to Gorbachev's problems, Page 22**

World news

## Mandela's followers threaten boycott

South African black activists threatened an "immediate and total consumer boycott and mass stayaways" if the Government took any action against Mrs Winnie Mandela following her weekend call to blacks to dismantle apartheid themselves.

The warning of popular protests was issued by the Release Mandela Campaign, which has been lobbying for the release of her husband, Mr Nelson Mandela, and other imprisoned leaders of the African National Congress.

The independent South African Institute of Race Relations said 171 people died in political violence in March, making it the worst month since the current wave of unrest began more than two years ago. Page 22

### Berlin resignations

West German Chancellor Helmut Kohl's Christian Democrat Party suffered new shocks as three ministers quit the West Berlin government over bribery allegations. Page 2

### Israeli crisis

The need for fresh national elections became more likely as the Likud party refused to accept Premier Shimon Peres' demand that Finance Minister, Mr Yitzhak Moda'i, be dismissed. Page 4

### Air raid wounds 8

Palestinian bases near the south Lebanon port of Sidon were attacked by Israeli fighter-bombers, leaving eight people injured. Page 4

### Greek protest

Thousands of Greek trade unionists stopped work in a one-day protest at the government's austerity plans. Olympic Airways aircraft were grounded, banks closed and city transport disrupted. Page 2

### Bangladesh polls

More than 2,000 candidates have filed nominations to contest the 300 parliamentary seats at stake in Bangladesh's elections on May 7.

### UN file request

Austria is to request access to United Nations' files which may throw light on the wartime record of former UN chief Kurt Waldheim, who has repeatedly denied a Nazi past.

### Doe names minister

President Samuel Doe named Robert Tubman, a respected banker and lawyer, as Liberia's new Finance Minister in a weekend reshuffle.

### Appeal for Sakharov

Yelena Bonner, wife of Soviet dissident Andrei Sakharov, has appealed to West German Chancellor Helmut Kohl to help end her husband's exile in the closed Soviet city of Gorky.

### Sanctions ineffective

US sanctions imposed against Libya in January failed to make a major impact and more than two-thirds of the Americans who left the country then have since returned, according to industrial sources in Bonn.

### Welcome awaited

Ousted Philippine President Ferdinand Marcos said he would not return to his homeland unless the Philippine people or all factions in the country asked him to come back.

### Palau killers jailed

Three men were jailed for between 25 and 35 years for murdering President Haruo Remeliik of Palau, a US-administered Pacific island.

### Prisoner recaptured

Charles Sobhraj, one of Asia's most wanted criminals, who escaped from a Delhi jail last month, was recaptured in Maharashtra, India.

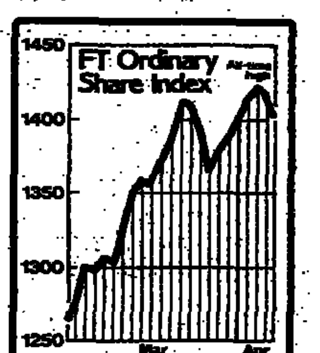
Business summary

## Bell offers cash in new bid for BHP

BELL RESOURCES, energy investment group, controlled by Robert Holmes à Court, offered up to A$2bn (US$1.4bn) in a further bid to lift its stake in BHP, Australia's largest company, from 19 per cent to 40 per cent. In contrast to two previous forays, the new bid is all in cash. Page 26

WALL STREET: By 2pm, the Dow Jones industrial average was 16.52 lower at 1,722.70. Page 46

TOKYO: Stocks turned easier on concern over crude oil prices. The Nikkei average lost 82.35 to 15,061.98. Page 46




LONDON: Profit-taking by small investors left prices lower while gilts ended with gains. The FT Ordinary share index gave up 20 to 1,400.9 and the FT-SE 100 share index ended down 21.2 at 1,688.50 Page 46

DOLLAR was strong in London, rising to DM 2.3925 (DM 2.3890), FFr 7.6175 (FFr 7.5725), SFr 2.012 (SFr 1.994) and Y182.7 (Y180.15). On Bank of England figures the dollar's index rose to 121.8 from 121.5 Page 37

STERLING gained 95 points against the dollar in London to $1.4575 and also rose to DM 3.4875 (DM 3.46), FFr 11.1025 (FFr 10.965), SFr 2.9325 (SFr 2.8875) and Y266.25 (Y260.75). The pound's exchange rate index rose 0.3 to 76.7. Page 37

GOLD rose $3.50 on the London bullion market to $338.75 and was $5 higher in Zurich at $339.25. Page 36

JAPAN should set itself a "medium-term national policy goal" to reduce its current account surplus "to one consistent with international harmony," urged a special advisory group set up by Prime Minister Yasuhiro Nakasone. Page 22

FRANCE's two international airlines are quarrelling over the allocation of long-distance routes. Page 23

AFRICA made only a moderate economic recovery in 1985 and its debt repayments are likely to rise to record levels this year, African Development Bank (ADB) president Babacar N'Diaye said.

THE LONDON Stock Exchange said member firms were in trouble over their technological preparations for the Big Bang financial deregulation due to transform the London stock market from October 27 – and admitted that some may not be ready in time. Page 12

RUGBY PORTLAND CEMENT reported a 21 per cent fall in taxable profits to £21.84m ($31.8m) for 1985. Page 28; Lex, Page 22

UNION CARBIDE, the US-based chemicals group which has shed 7,700 jobs since August last year, is to cut another 1,200 and dispose of further assets worth $1bn. Page 23

GOODYEAR Tire & Rubber, said it could report a first quarter net loss of between $60m and $70m, after charges of about $110m for the write down of oil and gas reserves.

LAFARGE COPPÉE, the French cement group, anticipates another year of steady growth after boosting net consolidated earnings by 58 per cent last year to FFr 766m ($103.3m). Page 23

# Belgium first to cut interest rates after EMS realignment

BY GEORGE GRAHAM IN LONDON

EUROPEAN CURRENCIES settled into their new levels yesterday in the wake of the weekend's realignment of the European Monetary System (EMS). The realignment paved the way for lower interest rates and helped European stock markets to advance strongly yesterday.

Belgium's National Bank moved quickly to cut its rates, and other countries whose currencies were devalued are expected to follow. But West Germany, whose currency was revalued, is likely to be more cautious over further interest rate cuts.

Most of the currencies devalued on Sunday traded yesterday in the upper half of their permitted ranges, so the immediate drop in their values is much less than the officially announced devaluation.

The French franc, which was effectively devalued by 5.8 per cent against the D-Mark, stood yesterday only 3.8 per cent below last week's level. It ended the day in London at FFr 3.1835 to the D-Mark, above its ceiling, despite determined intervention by the French central bank.

Some foreign exchange dealers said the Bank of France had bought as much as DM 1bn, an effort to draw the franc back within its limits in the new exchange rate mechanism.

However, the French franc's strength was viewed as normal in the aftermath of a realignment. Many speculators had to buy francs yesterday to cover the short positions they took out last week in anticipation of a devaluation. Dealers at London banks said they had spent much of the day unwinding cross-positions.

However, French officials said France would act with "great caution" in lowering interest rates. This reflects government concern to hold down inflation by curbing excess monetary growth. The Government said on Sunday that monetary growth would be held to under 5 per cent this year.

The day-to-day French money market rate fell marginally yester-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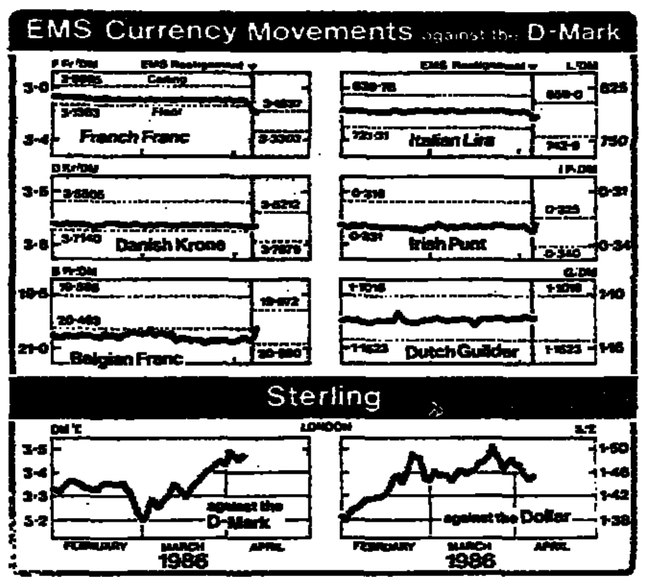
French reaction, Page 3; Feature, Page 21; Lex, Page 22; Money markets, Page 39


# Renault 'will need major financial restructuring'

BY PAUL BETTS IN PARIS

RENAULT, the troubled French state car group which last week reported a loss of FFr 10.9bn ($1.44bn) for 1985, will require major financial restructuring to return it to economic viability, Mr Georges Besse, the company's chairman, said yesterday.

Mr Besse, speaking for the first time since the company reported its substantial 1985 loss after a record deficit of FFr 12.5bn in 1984, disclosed that total group debts had reached FFr 62bn at the end of last year, the equivalent of half of Renault's overall sales of FFr 122bn.

The Renault chairman said that financial restructuring would require added support from the group's sole shareholder, the French Government, as well as efforts to find partners for Renault subsidiaries. These would include American Motors Corporation (AMC), the US carmaker 46 per cent owned by Renault, and the French group's loss-making farm machinery business, among other subsidiaries.

The French Government granted Renault FFr 3.3bn in capital funds last year and had agreed to advance a further FFr 3bn this year, Mr Besse said. But the Renault chairman clearly indicated that the FFr 3bn it was getting so far from the state this year would not be enough.

As for the search for partners, he said that negotiations were continuing. However, he added that it was now more difficult to find partners than in the 1970s.

None the less, he confirmed that AMC was now in advanced negotiations with Daihatsu, the Japanese car manufacturer, to produce jointly a Jeep type vehicle in Venezuela.

The venture would involve a lower priced vehicle than AMC's current Jeep line and could be extended to other Latin American markets.

After another disappointing year in 1985, Mr Besse said the first two months of this year had also been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Danone result, Page 22


# Philippines seeks $580m loans

BY PHILIP STEPHENS IN WASHINGTON AND SAMUEL SENOREN IN MANILA

THE PHILIPPINES may face a serious foreign exchange crisis if the International Monetary Fund and Western commercial banks do not release funds totalling $580m to the Government by the end of June, Mr Jaime Ongpin, the Philippines' Finance Minister, said yesterday.

Mr Ongpin, in Washington for the twice-yearly meetings of the IMF and World Bank interim and development committees, said he would be asking the IMF to release $230m available to the Philippines under an existing IMF programme.

He also wanted commercial banks to hand over the final $350m of a loan negotiated by the previous Government of Mr Ferdinand Marcos.

Meanwhile, in Manila, it was announced that President Ronald Reagan had pledged to increase US economic support to the Government of Mrs Corazón Aquino.

Mr Reagan's pledge was contained in a letter to Mrs Aquino delivered by Mr Caspar Weinberger, the US Defence Secretary, who arrived in Manila on Sunday for a one-day visit.

Mr Ongpin acknowledged that the Philippines was not in compliance with the present IMF programme and that under those circumstances it would be unprecedented for the IMF to release the money. Similarly, the commercial banks faced no legal obligation.

The Philippines, however, was in a special position and the IMF and commercial banks should be aware of the danger of provoking a foreign exchange crisis which would undermine Mrs Aquino's Government.

"If they say no, we are in trouble, I can tell you," Mr Ongpin said.

With the country's exports still weak, the present level of foreign reserves would not sustain the economy through the rest of the year, he said.

Mr Ongpin said that at present the Philippines' reserves stood at $1.3bn after receiving a once-for-all boost following Mrs Aquino's election. Its external position would benefit from lower oil prices and a revival of tourism, but imports were expected to rise as the economy began to regain momentum and export earnings from coconut oil, copper and sugar were depressed.

Other elements in the short-term financing programme being sought by the Government include the accelerated release of $214m of US economic support funds and an additional $100m now under consideration by the US Congress for budgetary support.

He said the Government was also seeking a significant increase in finance from Japan in order to reduce the Government's dependence on the US for bilateral aid.

For the medium term, the Philippines wanted to negotiate a new IMF programme. It plans to convene a meeting in mid-May of the mini consultative group of donor nations to begin the process of rescheduling the country's $26bn foreign debt. Current interest payments of about $2.5bn a year or more than 50 per cent of export earnings were not sustainable, Mr Ongpin said.

Mr Weinberger, who had brief meetings with Mrs Aquino and Mr Salvador Laurel, Vice President, was the first member of Mr Reagan's Cabinet to visit Manila since the fall of Mr Marcos in February.

Yesterday, the Manila-based Asian Development Bank, setting aside existing rules, provided Mrs Aquino's Government with a concessional loan of $100m

# Oil prices rise as strike halts Norway output

BY DOMINIC LAWSON IN LONDON

PRICES for prompt deliveries of North Sea oil cargoes rose by almost $2 a barrel yesterday to $13.90, as production ceased in strike-bound Norwegian offshore fields.

The Norwegian Government has not yet moved to force binding arbitration of the dispute. Oslo, however, insisted yesterday that the halt in production was in no way a form of covert co-operation with the Organisation of Petroleum Exporting Countries. Opec has repeatedly called for cuts in North Sea output to help it to stabilise oil prices, which fell below $10 a barrel a week ago.

On the New York Mercantile Exchange yesterday, prices for May deliveries of West Texas crude gained about 60 cents to $13.35.

It is expected that the dispute, over a 28 per cent wage claim by offshore catering workers, could result in a two to three-week shutdown of Norway's oil output of 900,000 barrels a day.

"That is a load of oil to find," one trader said yesterday.

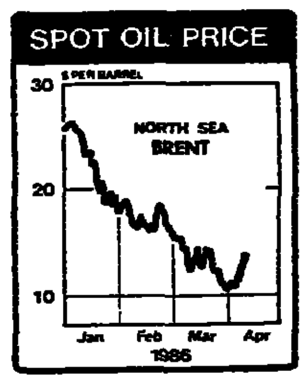
It seems likely, however, that the shortfall could be made up by a rise in oil production from financially pressed countries with unused capacity. These are mostly in Opec, but figures to be released tomorrow by the International Energy Agency show that Mexico saw its oil output drop by 400,000 b/d in the first quarter as it was squeezed out of the market by Opec countries' more aggressive selling tactics.

Opec officials said yesterday that it was too early to assess the impact of the Norwegian shutdown. They added, however, that it was not likely to make it easier for Opec to reach a new production-sharing agreement at its meeting starting in Geneva next Tuesday.

Statoil, the Norwegian state oil company, said yesterday that it had not yet decided to declare force majeure on its contracted oil sales. Its presence as a buyer in the market yesterday to pick up spot crude oil was a key to the price rise. Traders said that business was very thin as sellers asked for at least $14 a barrel, which Statoil was not prepared to accept.

The Soviet Union began, meanwhile, for the first time this year to offer prices for Urals crude in line with what buyers will accept. Traders said that the Russians could well use the gap left by the Norwegians as a means of getting back into the European market.

In an interview with US News and World Report magazine, Vice President George Bush said that if the oil price stabilised at less than $12 a barrel the US Government might have to protect the country's financial institutions. The White House, meanwhile, said that there were no differences between President Ronald Reagan and his vice president on the oil price issue.




Although there will be an immediate boost to Britain's North Sea revenues as the price rises, problems have been created for the British Gas Corporation which takes about a third of its gas requirement from the Frigg cluster of gas fields on the Anglo-Norwegian median line.

Elf, the operator of Frigg, is managing to take out the 40 per cent of the Frigg production attributable to the UK sector of the field through platforms located on the UK side of the line. But British Gas was still faced with a shortfall of 1bn cu ft of gas yesterday, at a time of unseasonally high demand of almost 8bn cu ft.

British Gas said yesterday that it had cut off about 300m cu ft of interruptible contracts to industry, and had started up production from its Morecambe Bay field off the north-west English coast, and from the Rough gas storage project in the North Sea.

● Mr Rolf Presthus, Norwegian Finance Minister, said yesterday that Norway planned to borrow abroad for the first time for six years, because its current account trade balance had been pushed into the red by the fall in oil prices.

Peter Blackburn writes from Abidjan: The sharp decline in oil prices was described yesterday as a "poisoned gift" by Mr Babacar N'Diaye, president of the African Development Bank.

Although cheaper oil will greatly reduce the oil import bills and improve the trade balances of non-oil producing African countries, it is also likely to be accompanied by a sharp decline in concessional aid from oil exporting countries, Mr N'Diaye said in Abidjan.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# Amstrad pays only £5m for Sinclair computers

By Jason Crisp in London

SINCLAIR RESEARCH, the world pioneer of low-cost home computers, has sold all its computer interests to Amstrad, the rival consumer electronics company which entered that market only two years ago.

Sinclair, which has been in difficulties for more than a year has sold all the rights of its existing products including the name, for just £5m (about $7.25m).

Sir Clive Sinclair, founder of the company once valued at £136m, said he rejected an offer of £5m for a 30 per cent stake which would have enabled him to stay in the home computer business because he was much more interested in pursuing new developments.

To exploit these Sinclair Research is forming two separate subsidiaries in ventures involving Timex and Barclays Bank. The much reduced Sinclair Research will consist of a research consultancy and a small business selling pocket televisions.

Amstrad is one of Britain's fastest growing companies with products ranging from video-recorders and cheap audio systems to home computers and very successful word-processing system costing about £460.

Earlier this year the company surprised London analysts when pre-tax profits for the six months to December 31 jumped nearly threefold to £27.5m.

The sale of Sir Clive's home computer business is one of many setbacks that has dogged this sometimes brilliant and often erratic entrepreneur. His first company, Sinclair Radionics, was bailed out by the state-backed National Enterprise Board in the late 1970s.

Sinclair Vehicles, which tried to sell electric tricycles, collapsed last year, a few months after the product was launched.

Amstrad will now become one of the world's largest suppliers of home computers with at least 50 per cent of the UK market. Amstrad will pay a further £11m to Sinclair and its main sub-contractors for stocks, work in progress and committed orders.

Amstrad says one of its first tasks will be to tackle the reliability problems which have been associated with Sinclair products.

Existing UK-based manufacturers of Sinclair computers – Timex, AB Electronics and Thorn EMI – will be offered the opportunity to compete for further orders. Amstrad computers are made in Korea.

Amstrad is expected to make several changes and enhancements to the Sinclair range


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# EUROPEAN NEWS

## West Germany and Poland hope visit will ease relations

BY RUPERT CORNWELL IN BONN

WEST GERMANY and Poland are hoping for a useful improvement in the long fraught relations between the two countries, as a result of the current visit here by Mr Marian Orzechowski, the first to Bonn by a Polish Foreign Minister for six years.

Mr Orzechowski, who arrived on Sunday afternoon, held talks yesterday with both Mr Hans-Dietrich Genscher, his West German opposite number, and Chancellor Helmut Kohl. Before he returns to Warsaw tomorrow he will also meet President Richard von Weizsaecker as well as political leaders, including Mr Franz Josef Strauss of the conservative Bavarian CSU party.

Ties between Bonn and Warsaw have been prickly or worse ever since the proclamation of military law in Poland in December 1981, announced—with devastatingly embarrassing timing—just as the then Chancellor Helmut Schmidt was completing a visit to East Germany.

The clampdown on Solidarity, the independent Polish trade union, was followed by a sustained propaganda campaign from Warsaw against West Germany which in turn contributed to the abrupt cancellation of the return trip planned here in September 1984 by Mr Erich Honecker, the East German leader.

Shortly afterwards Mr Genscher called off at the last moment a visit of his own to Warsaw, amid a row ostensibly over his desire to lay a wreath at the grave of Father Jerzy Popielusko, the Solidarity priest murdered by Polish security officials.

But the dispute also reflected intense Polish irritation at suggestions by right-wing politicians here that West Germany might one day regain territories lost to Poland after the Second World War.

After reaching a crescendo last year, Warsaw's criticism of West German "revanchism" and "militarism" has now subsided and the first concrete evidence of an easier climate came last month when Bonn agreed to resume official export credit guarantees to Poland which had been suspended in the wake of military rule.

Mr Orzechowski, who will be meeting Mr Martin Bangemann, the Economics Minister, hopes to build on this by securing renewed West German help for the modernisation of Polish industry—and at the same time boost the standing in the West of the Jaruzelski regime.

Bonn, too, has much to gain from a successful stay here by the Polish Foreign Minister. Better relations with Warsaw would be a fillip for the *Ostpolitik* of the present centre-right coalition, and could lead to an increase in the number of ethnic Germans permitted to leave Poland for the West.

Not least, tacit endorsement by Poland—for historical reasons ever hostile to anything which might be portrayed, however improbably, as a step towards German reunification—is a key prerequisite to a visit here by Mr Honecker. Both Bonn and East Berlin are keen that this much delayed trip should now come about, possibly within the next three months.

## Strikes against austerity policy disrupt Greece

BY ANDRIANA IERODIACONOU IN ATHENS

OLYMPIC AIRWAYS domestic and international flights were cancelled yesterday and many shops in Athens remained closed as workers and small businessmen in 30 towns around Greece staged a 24-hour strike against the Socialist Government's economic austerity policy.

The action also disrupted public services, including transport and banks, in the capital.

The Labour Ministry said the strike action, which was backed by militant left and right wing trade unions was illegal and unreasonable.

According to the organisers, close to 1m workers responded to the strike call.

## Romanians suffer in silence

BY LESLIE COLITT, RECENTLY IN ROMANIA

OUTWARDLY ROMANIA in its fifth year of worsening deprivations resembles Poland in 1979, just before the strike wave which created the Solidarity free trade union – but there the similarity ends.

Romanians grumble in endless queues for meat, cheese and butter but remain acquiescent. No organised opposition exists and Eastern Europe's most efficient security apparatus sees to it that none arises.

President Nicolae Ceausescu appears secure in the knowledge that after 21 years in power he has no known rival. The West continues to support him in spite of mounting criticism of Romania's human rights record, said to be the worst in Eastern Europe.

This vital support is largely based on Mr Ceausescu's use of Romania's non-strategic location to challenge the authority of Soviet leaders.

Romania built a heavy industry base in defiance of Soviet plans for it to feed the industrialised rest of Eastern Europe. Then it openly criticised the Soviet Union's invasion of Czechoslovakia in 1968. This was not out of sympathy for reforming communism in Prague but because Moscow's "proletarian internationalism" also threatened Romania's relative independence.

Romania also objected when Soviet troops moved into Afghanistan and sent its athletes to the Los Angeles Olympic Games in 1984 in defiance of Moscow's boycott of the event. Mr Ceausescu has also refused to commit Romanian troops to Warsaw Pact manoeuvres.

During the recent Soviet Communist Party Congress, Mr Ceausescu underscored his unique role by leaving Moscow a week before other East European leaders. Romanian newspapers ran only a heavily edited version of the keynote speech by Mr Mikhail Gorbachev, the Soviet leader, without a photograph.

Such dissenting behaviour earned the Romanian leader enthusiastic receptions at the White House and Buckingham Palace. The skill of the peasant son from Oltenia lay in projecting a powerful foreign policy voice from a poor and not very important Balkan country.

At home however, the central command economy which allowed Romania to drag its population into the 20th century has revealed serious imbalances and gaping cracks. Sprawling new steel and petrochemical industries are depleting hard currency reserves by devouring imported coal and iron ore as well as oil from the Middle East.

Agriculture has been seriously neglected in the rush to produce ships, planes, machine tools and computers. Plans for highly mechanised collective farms using chemical fertilisers have been aborted and even the Communist Party is suggesting that more horse-drawn carts should be used on the farms.

But Romanian officials insist that economic growth targets – twice as high in recent years as results – must remain lofty to transform Romania from a developing country into a "medium developed" one by the 1990s.

Visitors are told that motivated Romanian workers are voluntarily buying "social shares" in their factories ranging from Lei 1,000 ($78) to Lei 50,000 (the average monthly wage is Lei 3,000) and yield 6 per cent to 8 per cent interest depending on company earnings.

Virtually the only audible Romanian critic of the country's leadership, Mr Mihai Botez says the country desperately needs debate "rather than cheering" and recognition of reality.

The 45-year-old mathematician maintains that officials who object to unrealistic planning targets are replaced by others who claim they can be attained. This in turn makes everyone vulnerable as they are "forced to lie" to conceal nonfulfilment of the goals.

He says that those at the top know they are being lied to but utilise the system to suppress criticism.

Mr Botez, who was relieved in 1979 as head of Romania's Institute for Future Studies, believes he has been spared imprisonment because of "influential political friends" in Washington.

Romania is increasingly being criticised in the West for allegedly persecuting fundamentalist Christian denominations as well as for its record on detention of political and religious dissidents. A new unpublished decree to curb contacts by Romanians with foreigners is seen as enhancing the role of the already all-pervasive internal security service.

However, until now the West has chosen to reward Romania economically for its independent stance towards Moscow and for allowing many of its Jewish and German minorities to emigrate.

However, US policy toward Romania has recently undergone a shift. Mounting criticism of Romania in the US Congress and among senior American diplomats is clearly worrying Bucharest.

## West Berlin reshuffle

BY OUR BERLIN CORRESPONDENT

MR EBERHARD DIEPGEN, the Christian Democrat (CDU) Mayor of West Berlin, yesterday announced key members of his new government in a reshuffle forced on him by an urban corruption scandal.

The opposition Social Democrats (SPD) called for a vote of no confidence in him, claiming the reshuffle could not restore the city's reputation. The SPD, however, does not have enough seats on the city assembly to form a government.

*Mr Diepgen's* controversial deputy, Mr Heinrich Lummer, resigned and is to be replaced by the head of the education department, Dr. Hanna-Renate Laurien. Mr Lummer admitted to paying DM 1,000 ($418) to a right-wing group in 1971 allegedly to prevent it from entering the city election.

The main scandal, however, centres on charges of bribes paid by builders to city officials in order to obtain favours.

Mr Lummer also headed the internal security department, a post to be assumed by Dr Wilhelm Kewenig, the head of the city's science and technology department.

FINANCIAL TIMES

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# Major industrial conflict likely in Sweden

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN MOVED yesterday to the brink of a serious industrial conflict when the PTK white collar union confederation refused a final offer drawn up by the state appointed mediators. PTK has threatened to call out 18,000 key personnel from 2 pm today, followed by another 50,000 tomorrow.

SAF, the employers' federation, has responded with a threat to lock out more than 300,000 white collar workers from tomorrow which could plunge Sweden into one of its biggest private sector industrial conflicts.

Last ditch negotiations were continuing through the night to avoid the strike and lock out which would bring most of Swedish industry to a complete halt within a few days.

Details of the final offer to PTK had still not been released by yesterday evening. Originally, the white collar workers were seeking pay increases of around 7 per cent, although SAF has estimated that the demand would mean a rise in total labour costs of more than 10 per cent.

The atmosphere between the employers and the white collar workers has been further strained in recent days by calls from some companies to non-union employees to continue to work normally despite the strike, a demand that has been interpreted by PTK as a call for strike breaking.

The dispute between PTK and SAF has also held up agreement between the employers and LO, the blue collar workers' union confederation. The two sides yesterday appeared close to reaching agreement on a settlement that would run for two years and would grant increases of around 9.5 per cent over the two years.

● Some 100,000 workers in five of Norway's manufacturing and service industries faced lock-out from midnight last night, barring an unlikely last-minute agreement on pay and conditions. Sectors that will be hit are the hotel and restaurant and building trades, the textile, heavy engineering and electro-meallurgical industries, writes Fay Gjester in Oslo.

Two key issues which have dominated talks during this year's spring bargaining—the length of the standard working week, and the retention of a system which guarantees minimum wages to workers in low-pay industries. The unions want to keep the latter, while cutting the working week for blue-collar workers from 40 to 37½ hours, the standard for white-collar employees. The employers want to link a concession on the working week to a "reform" of the wage guarantee system.

# World Bank backing for Turkish economic policies

BY DAVID LENNON

TURKEY WON a vote of approval for its economic policies yesterday when the World Bank signed its first-ever co-financing loan agreement with the Ankara government.

The Bank will participate in two syndicated commercial loans totalling $363m to support the 420kW Kayraktepe hydropower station on the Goksu River. It provided a $200m loan for the $176m project earlier in the year.

Mr Willi Wapenhans, World Bank vice-president for the Middle East and Europe, said this participation in commercial loans virtually amounted to a certificate of good health for a country which five years ago ran out of credit. This remark brought a smile to the lips of Dr Ekrem Pakdemirli, the Under secretary of the Treasury, who signed the agreement here yesterday on behalf of Turkey.

The World Bank will take a direct participation of $33m in a $233m Eurodollar loan and $19m in a Yen 23.4bn ($130m) loan. The co-ordinating bank for the Eurodollar loan is the Arab Banking Corporation. The Nordic Investment Bank will also participate with $5m.

The Eurodollar loan will have five years' grace and a 10-year final maturity. The commercial portion will be for eight years at an interest rate of 1¼ per cent a year over the three- or six-month London Interbank Offered Rate (Libor) for the first three years, followed by 11 per cent a year over Libor for the remaining five.

The Japanese loan, signed in Tokyo on April 2, will have five years' grace and a 12-year final maturity. The commercial portion will be for 10 years. The co-ordinating banks for the yen loan are Dai-Ichi Kangyo Bank, Mitsubishi Bank, Mitsui Bank, Sumitomo Trust and Banking, Bank of Tokyo and the Industrial Bank of Japan.

Mr Wapenhans said that the World Bank move is part of its support for Turkey's structural adjustment programme and described it as "an important milestone" in the attempt to re-establish Turkey's credit-worthiness.

The two co-financed loans are expected to help improve Turkey's access to the world's capital markets. They represent a lengthening of the overall maturity and grace periods compared with other recent Turkish borrowings, according to Bank officials.

They added that the loans realise the objectives of the Bank's co-financing programme and also promote interest in co-financing in the international banking community.

# IEA sees 14.9m b/d demand for Opec oil

By Richard Johns

DEMAND FOR crude from member states of the Organisation of Petroleum Exporting Countries in the second quarter of 1986 is likely to be less than 15m barrels a day, according to the latest projections published by the International Energy Agency.

Assuming that there is no further draw-down of stocks over the April-June period, the prospective level of non-Opec output indicates that the requirement will only be about 14.9m b/d, according to the IEA's latest monthly market report.

The projection will come as no surprise to Opec. Its experts calculated a non-Communist world requirement from Opec and stocks of 14.95m b/d for the April-June period when they met before the ministerial conference in Geneva which adjourned inconclusively last month.

When it resumes next week in Geneva, the IEA statistics will only help to re-emphasise Opec's predicament and the need for a substantial cut globally—whether by Opec alone or all producers—if prices are to be boosted.

Stock levels continue to be the unknown quantity as far as any attempt at fine-tuning is concerned. The IEA calculates, on the basis of preliminary data from its 21 members, a net draw-down of 1m b/d in the first quarter.

A reduction of 1.4m b/d in commercial inventories was reckoned to have been only partially off-set by a 400,000 b/d build-up in stocks held by goverments. In terms of forward consumption, the former, at the beginning of April, were at an almost identical level as those on the same date of 1976, 1977 and 1978.

The IEA puts Opec crude output during the January-March period at 17.3m b/d compared with 17.6m b/d in the same period of 1985 and 15.9m b/d for last year as a whole. The rates compare with the 16m b/d ceiling still notionally in force.

The IEA's latest projection indicates a demand for Opec crude in 1986 of 16.5m b/d, assuming no change in stocks over the course of the year. That is regarded by all Opec members as too-small a maximum margin for an accord on a redistribution of quotas.

The agency has revised upwards its estimate of total supplies to the non-Communist world during the first quarter by 700,000 b/d to 46.1m b/d as a result of higher output by several members of Opec—in particular, Kuwait, the United Arab Emirates and Nigeria.

Oil consumption by member states of the Organisation for Economic Development and Co-operation—the industrialised world — in the January-March period is calculated by the IEA at one half percentage point above the level during the same period of last year.

For the whole of 1986 it is likely to be up by 1 per cent.

THE EMS REALIGNMENT

# French industry hails devaluation

BY OUR PARIS STAFF

FRENCH INDUSTRY gave a generally warm welcome yesterday to the weekend devaluation of the French franc and more particularly to the Government's phased lifting of price and foreign exchange controls.

Mr Yvon Gattaz, head of the French employers' association, said the measures give industry "a second wind." Since 1983, French companies had lost international market share because of a lack of competitiveness.

Among the main exporters to West Germany, however, car manufacturers Peugeot and Renault expressed some disappointment that the devaluation had not been larger. The franc fell in Paris yesterday by 3.5 per cent against the D-Mark to FFr 3.18377 compared with Thursday's rate before the Bank of France stopped intervening.

Senior French officials said that the combined effect of the devaluation and of the economic package announced afterwards would be to give a slight boost to economic activity beyond the 2.5 per cent expansion in real GDP currently forecast by the Treasury for this year.

The devaluation should increase both investment and exports, but the stimulus to activity from this will be partly offset by the FFr 15bn cuts in public expenditure and the curbs on public sector pay. To minimise the inflationary consequences of the devaluation, the Government appears to have decided again any further raising of the domestic tax on petroleum products.

Such a move had initially been favoured by Mr Jacques Chirac, the Prime Minister, as enabling the Government to Channel some of the windfall gains from declining oil prices to a reduction in corporate taxes.

The target announced by Mr Edouard Balladur, the Finance Minister, of holding inflation this year to 2.3 per cent is based on an international oil price of $15 a barrel it emerged yesterday. On this basis, inflation in France would have fallen by the end of the year to 1 to 1.5 per cent if Socialist policies and the exchange rate had been maintained.

Officials yesterday were working on details of the planned public expenditure cuts which they said would cause "much pain." The Government wants to eliminate the budget deficit in three years—excluding interest on the state debt which currently amounts to about FFr 100bn a year.

Mr George Besse, Renault's chairman, said that devaluation would help the company's margins in West Germany while also having an impact on sales in France of West German car producers.

But he added that a devaluation would not be of much benefit unless it was accompanied by lower interest rates. Renault disclosed yesterday that it had FFr 62bn in long and short borrowings.

# Italian business fears for competitiveness

BY JAMES BUXTON IN ROME

ITALY'S DECISION not to follow France in lowering the central parity of the lira in the EMS has won respect from Italian economists but aroused misgivings among businessmen. The Milan stock exchange reacted cautiously with prices declining by about 1 per cent.

Economists and businessmen are waiting to see whether the government moves swiftly to remove the additional controls on foreign exchange transactions and bank borrowing introduced last January to support the currency.

The lira has now won scope for devaluation against the D-mark and Dutch guilder (by 3 per cent) and the Danish krona and the Belgian franc (by 1 per cent). On the other hand, it has obtained room for a 3 per cent revaluation against the French franc.

By not devaluing along with the French franc, Mr Giovanni Goria, the Treasury Minister, has banked on the favourable prospects for the Italian balance of payments this year, following the fall in the oil price, and has given precedence to the need to keep the Italian inflation rate on its downward path.

While Mr Goria won appreciation among Italian economists for holding to a middle line, businessmen fear a loss of competitiveness against the French franc. Mr Walter Mandelli, vice-chairman of Confindustria, the industrialists' association, said: "If we had more courage and had followed France in devaluing our currency, it would perhaps be easier to take important measures on foreign exchange control liberalisation."

In recent weeks Italian businessmen have stepped up their calls on the authorities to reduce controls on the exports of capital and on other foreign exchange transactions. Some of them yesterday voiced the view that if the Italian currency is as sound as Mr Goria believes, he should show it by ending the extra controls on export finance imposed as a matter of urgency in January when the lira came under pressure.

Alan Friedman adds from Milan: Mr Giovanni Agnelli, chairman of Italy's Fiat group, yesterday issued a strong call for the relaxation of exchange controls, saying that Italy's strict rules on the exports of capital "have no foundation in reality."

Speaking in Milan, he said, "the time is particularly favourable for a decisive move towards liberalising exchange controls." He cited the reduction of petroleum prices, the healthy state of industry and the increasing interest of small investors in the stockmarket as factors which make it possible to act.

Mr Agnelli welcomed previous moves by the Craxi Government, which have included a lowering of the deposit on investments outside Italy, but said more needed to be done.

"In Europe, only Greece has a more restrictive system," he complained, adding that the Italian attitude towards capital movements was based on antiquated idea about mercantilism: namely that capital inflows enrich and capital outflows impoverish Italy.

In contrast with Mr Arnelli's comments, Mr Nicola Capria, Foreign Trade Minister, was more reserved, saying that the portfolio investment sector "is not yet mature for a complete liberalisation." Mr Capria defended the "gradual dismantling of controls" and said that in 1984 Italian direct investments overseas totalled $12bn.

Mr Renato Altissimo, the Industry Minister, appeared to agree with Mr Agnelli when he decried the "obsolete logic tied to the years of crisis" which prevented freer capital exports. Mr Altissimo said it was "strang that at a time when national stockmarket demand is strong, Italian unit trusts cannot invest more than 10 per cent of their portfolios abroad."

# Austria to ask UN for files on Waldheim

By Patrick Blum in Vienna

THE Austrian Government will request access to files held by the United Nations on Dr Kurt Waldheim, a former UN Secretary General and candidate in Austria's presidential election, in a bid to clear the row over allegations about his past.

Mr Leopold Gratz, the Foreign Minister, said yesterday that the request was being conveyed through Austria's ambassador at the UN on the prompting of Dr Rudolf Kirschlager, the Austrian President. The latter has become increasingly concerned about the damage done to Austria's reputation by the row.

Dr Waldheim found himself at the centre of an international row following allegations that he had been a member of Nazi organisations during the war and that he had been involved in Nazi atrocities in the Balkans.

He has repeatedly denied the allegations, describing them as "absurd" and as a "smear campaign" designed to undermine his bid for the presidency.

The Government of Israel has already requested the files. Dr Waldheim said he had no objections to the request since he had "nothing to hide." Mr Gratz said yesterday that Dr Waldheim had also agreed to the Austrian Government's request.

The allegations first published in an Austrian weekly magazine and later taken up by the foreign press and the US-based World Jewish Congress have raised a political storm in Austria, with accusations of "foreign interference" in the country's internal affairs.

Dr Waldheim, who is running for the presidency with the support of the Conservative People's Party, saw his chances improve as he benefited from a rush of sympathy at the expense of his Socialist opponent.

## OVERSEAS NEWS

# Peres cabinet crisis may force general election

BY ANDREW WHITLEY IN JERUSALEM

ISRAEL teetered on the verge of fresh national elections yesterday, as the Likud—Labour's partner in the coalition National Unity Government—refused to accept Prime Minister Shimon Peres' demand that Mr Yitzhak Moda'i, the Finance Minister, be dismissed.

Sparring between the Finance Minister, the architect of the government's economic austerity programme, and the Labour alignment, has been growing for weeks. But matters came to a head in recent days with an unusually strong attack on the Labour Prime Minister by Mr Moda'i.

With a hand-over of the Prime Ministership to Mr Yitzhak Shamir, the Likud leader, due in six months' time, Labour activists have been pressing Mr Peres to seek a pretext to break the rotation agreement and either set up a narrow-based government based on the support of the smaller parties or else call fresh general elections.

First indications yesterday however were that the small religious parties — the swing factor in any coalition government in Israel — are not prepared to back a new Labour-led government excluding the Likud.

Thus, if deadlock remains between the Prime Minister's insistence that this time Mr Moda'i has gone too far, and must be dismissed, and Mr Shamir's refusal to accept the Labour leader's authority to dismiss a Likud-nominated minister, political commentators agree that the most likely outcome is new elections.

Yesterday afternoon Mr Peres was in consultation with the religious parties to sound out their willingness to break ranks with their natural allies in Likud. Labour and Likud party caucuses meanwhile weighed up their options as they eyed opinion polls showing an enormous popularity rating for Mr Peres.

Taking an unexpectedly strong stand, Mr Shamir, who is both Deputy Prime Minister and Foreign Minister in the Peres Government, was reported as saying that the government will have to be dissolved if Mr Peres persists with his demand that Mr Moda'i has to go.

In contrast, the Prime Minister — concerned to maintain his newly acquired image as a statesman above short-term party advantage — argued that the National Unity Government could be maintained following the Finance Minister's departure.

The quarrel within the Government over rival claims to the success of Israel's drive to curb inflation and rampant government spending, is the most serious in its 18-month life to date.

Yesterday Mr Ezer Weizman, a Labour minister and party elder statesman, said the coalition government appeared to have reached a natural end.


Peres—hanging on


Moda'i—stage centre

# Takeshita moves to bolster bid for top job

By Jurek Martin in Tokyo

MR NOBORU TAKESHITA, the Japanese Finance Minister, has taken steps to counter the growing belief that he is slipping in the contest to succeed Mr Yasuhiro Nakasone as Prime Minister later this year.

In political speeches here over the weekend before leaving for Washington to attend the International Monetary Fund (IMF) meeting, Mr Takeshita offered to dissolve the political support group he set up 15 months ago to promote his candidacy.

This group, known as Soseikai, has become a faction within the larger faction nominally beholden to Mr Kakuei Tanaka, the former Prime Minister, who has been disabled by a stroke since February last year.

About two-thirds of the 122 members of the Diet who comprise the Tanaka faction are sympathetic to Mr Takeshita, his inability to convert the rest is, according to the logic of Liberal Democratic Party politics, a sign of weakness and thus a drag on his ambitions.

A dissolution of Soseikai would be seen as an appeal for the whole faction to unite behind his candidacy. Mr Takeshita even said that he was will to allow his arch intra-factional rival, Mr Susumu Nikaido, assume temporary leadership of the Tanaka forces.

In recent weeks, Mr Shintaro Abe, the Foreign Minister, appears to have pulled ahead of Mr Takeshita, principally because of the latter's factional problems.

The third of the "new leaders," Mr Kiichi Miyazawa, has been aggressively advocating his programme for greater economic stimulus, but is hamstrung by the fact that the LDP makes its assessments more on the basis of personality than policies.

It remains unclear whether Mr Nakasone will get his way and succeed in engineering a fully fledged general election in June.

At present only the Upper House vote is on the calendar, but over the weekend all the contenders were warning their supporters to be ready for a June election.


Aides shelter South Korean President Chun Doo Hwan and his First Lady from the London weather on their arrival yesterday at the start of a four-nation European tour.

# Chun in UK to start first European tour

BY STEVEN B. BUTLER, SEOUL CORRESPONDENT

MR CHUN DOO-HWAN, the South Korean President, yesterday arrived in London to start a European tour aimed at strengthening commercial and other ties with the European Community. Mr Chun's tour to London, Bonn, Paris, and Brussels marks the first-ever official visit of a South Korean head of state to Europe.

Economic ties between South Korea and the EEC have grown fast over the past decade. Last year trade between Korea and the Community reached $5.9bn (£4.1bn).

Mrs Thatcher, the British Prime Minister, will visit South Korea in early May, prior to the economic summit in Tokyo. Mr Chun has brought with him over 30 senior Korean business executives as well as Mr Kim Mahn-je, the deputy Prime Minister for Economic Planning. Meetings are planned today with British business leaders, with a focus on promoting technological co-operation.

Mr Chun's EEC tour comes to a time when the challenge to Mr Chun's authority at home has reached a new peak. Thousand's of government opponents are reported to have rallied in the city of Taegu on Saturday, calling for democratic reform of the constitution.

Mr Chun has repeatedly refused to consider constitutional amendment until after he leaves office in 1988. The opposition has denounced Mr Chun as a "military dictator" as he came to power in 1980 in a military coup.

The European visit, however, is not an issue in Korea. European embassies obtained informal assurances from opposition leaders that they would not act to undermine the success of Mr Chun's tour.

Mr Chun will also seek to strengthen European understanding of and support for South Korea's difficult security problems, as well as to obtain a reaffirmation of European support for the 1988 Seoul Olympic games.

Brighter economic outlook, Page 14

# Egypt quietly strengthens ties with Moscow

BY TONY WALKER IN CAIRO

EGYPT and the Soviet Union Union are cautiously extending the range and scope of their economic and political contacts in a move seen here as part of an attempt by Cairo to balance its relations with the US.

Egyptian officials say, however, that the recent flurry of exchanges between Cairo and Moscow should not be regarded as a sign that Egypt wants to loosen its close ties to the West, which provides the bulk of its foreign aid and technical assistance.

Egypt and the Soviet Union treated each other warily after upgrading relations to ambassadorial level in 1984 following a break of three years. But in early 1986 there has been a rash of senior Soviet visitors to Cairo.

The latest is Mr Vladimir Polyakov, director of the Middle East Department at the Soviet Foreign Ministry, who held discussions over the weekend with Egyptian officials, including Dr Osama al Baz, head of President Hosni Mubarak's political office.

Western observers say Cairo has several motives for wanting an improvement in ties with Moscow. These include:

- Economic benefits that might accrue from closer commercial relations at a time when Egypt is in serious financial difficulties.
- A desire to give more substance to Egypt's traditional claim that together with India it is one of the leaders of the non-aligned movement.
- A belief that if there is to be any progress towards Middle East peace the Soviet Union must be involved.
- A wish to improve the dialogue with Moscow as a counterweight to close Soviet links with Syria and Libya, Egypt's arch enemies in the Arab world.

Increased contacts between Cairo and Moscow followed the forcing down last October by US jets of an EgyptAir Boeing carrying the Palestinian hijackers of an Italian cruise liner, the Achille Lauro.

That episode provoked anti-American demonstrations on Egyptian campuses. President Mubarak openly criticised the US and relations between Cairo and Washington cooled momentarily.

Egypt is dependent on US assistance of about $2.3bn a year and therefore is likely to be wary of giving offence to Washington where some Congressmen are blaming Cairo over the continuing coolness in Egyptian-Israeli relations.

US officials here say the improvement in Egyptian-Soviet relations is normal and should be seen in the context of Egypt's overall foreign policy objectives. They say they are unconcerned about the latest developments.

The most recent senior Egyptian visitor to Moscow was Dr Sultan Abu Ali, Minister of Economy and Foreign Trade who was there last week. Dr Abu Ali discussed a new trade protocol for this year and also a five-year trade agreement due to be signed this year.

Total two way trade in 1985 exceeded £500m and Egyptian officials expect a 10 per cent increase this year. A problem remains the artificially low rate of exchange against the British pound at which Egypt calculates its commercial dealings with the Soviet Union.

Moscow would like transactions to be based on the free market rate of the Egyptian pound which is almost one-third that presently used to determine the value of trade between the two countries through a special British sterling account.

The two sides agreed in principle last year that it was desirable to apply a free market rate in future transactions. However, an Egyptian trade official said this week that progress towards such an arrangement would be gradual.

Another problem remains Egypt's large military debt to the Soviet Union said to have totalled between $3-4bn in 1977, when repayments were suspended. There has been some discussion about Egypt resuming payments, but little progress has been made.

Egyptian-Soviet relations were seriously dislocated during the presidency of Mr Anwar Sadat. In 1972 he expelled more than 15,000 Soviet advisers. In 1976 he abrogated a treaty of friendship and co-operation, and 1981 he expelled the Soviet ambassador and members of his staff.

# Israelis attack bases near Sidon

BY NORA BOUSTANY IN SIDON

ISRAELI fighter-bombers raided five Palestinian guerrilla targets of the southern Lebanese port of Sidon yesterday, scoring direct hits, wounding eight people and triggering the anger of local residents at the presence of military bases in their midst.

A guerrilla commander inspecting a flattened command post on the edge of the Mieh Mieh shanty town overlooking Sidon said the Israeli strike was expected as a retaliation for successful attacks inside Israel.

"We are in a constant state of war," he said defiantly and confirmed an announcement Mr Yasir Arafat, chairman of the Palestine Liberation Organisation (PLO) to escalate guerrilla activity from South Lebanon. The commander refused to comment on whether the latest guerrilla attack on March 31 was launched from bases in Sidon.

As he spoke, fighters hauled out military gear, flak jackets and khaki shoulder bags from the dust-covered debris of a demolished cement structure. Mr Mahmoud Hannawi, 35, a resident of Mieh Mieh looked around and muttered to himself: "They have ruined our homes."

Another Palestinian fighter, who said he lived nearby, vowed that Israeli raids such as this, the third this year, would not deter him. "We will go on struggling," he shouted. "But not from between our houses."

His statement, however, unleashed a heated argument with the Palestinian commander who claimed there were no civilians living there when he came

Palestinian fighters raced around the hills between the refugee camps of Mieh Mieh and Ain Al Helweh in jeeps mounted with anti-aircraft guns. Only two fighters were injured in the 45-minute midday air strike. The rest were civilians.

The reason there were so few casualties even though four Fatah bases and one Popular Front for the Liberation of Palestine bunker was hit, was a new policy of having fighters disperse in the fields at daybreak, one fighter explained.

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# AMERICAN NEWS

## CIA chief warns of Soviet bid to build bridgeheads

BY REGINALD DALE, US EDITOR IN WASHINGTON

MR WILLIAM CASEY, President Ronald Reagan's controversial director of the Central Intelligence Agency (CIA), has issued a sharp warning that the Soviet Union is stepping up its attempts to secure "bridgeheads" around the world to tilt the strategic balance against the West.

In a rare public appearance at the weekend, Mr Casey said that Americans had "failed to see the inter-relationships" between Soviet activities in different parts of the world, including the Middle East, Nicaragua and Angola.

Mr Casey told the annual conference of the American Israel Public Affairs Committee, the biggest pro-Israel lobby in the US, that the Soviet drive had gained momentum since Mr Mikhail Gorbachev became leader just over a year ago. Mr Gorbachev was intensifying efforts "to nail down these bridgeheads and make them permanent," he said.

In the Middle East, Mr Casey said that, with Soviet backing, leftist Arab governments and radical guerrilla groups were "determined to polarise the Arab world so no accommodation can ever be reached." He warned that Moscow might back a more aggressive Syrian military posture against Israel, give full backing to the left-wing and militant factions of the Palestine Liberation Organisation (PLO) and increase its support for Libya, in a bid to sabotage the peace process.

The Soviet presence in Syria and Libya was at an all-time high, with more than 6,000 East Bloc military advisers in the two countries and substantial supplies of Soviet weapons, he said. "These countries, along with Iran, have discovered in terrorism a new low-cost, low-risk method of attacking democratic governments in Europe, the Middle East and Latin America," he said.

To the Middle East, Mr Casey said that the US had strengthened its ties with Mossad, the Israeli intelligence service, and the security services of moderate Arab countries, so as to fight terrorism on a more co-ordinated basis. He spoke of the development in recent years of "a worldwide anti-terrorist network which is based on the active intelligence exchanged among the security services of moderate Arab, Europeans and all of our friends everywhere."

"We do a lot of training, providing technical services to improve the capabilities of those services, and collaborate with them in counter-terrorism actions," he said.

In Central America, the Nicaragua Government had started an all-out campaign to destroy the US-backed Contra rebels in the past two months, he said. In Angola, Cuban troops and Soviet advisers were "feverishly preparing a campaign, likely to be launched this month, designed to wipe out forces resisting the Marxist Government."

## Latin American ministers extend peace talks

LATIN AMERICAN foreign ministers yesterday extended peace talks on Central America, Reuter reports from Panama City.

The talks among the Contadora group of countries—Mexico, Colombia, Panama and Venezuela—with their Latin American "support group"—Peru, Brazil, Uruguay and Argentina—and the five Central American countries had been expected to end on Sunday.

Mr Jorge Abadia Arias, Panama's Foreign Minister, would not say what had delayed the conclusion of the talks but he said he was hopeful about the chances of reaching some form of agreement.

Mr Rodolfo Castillo Claramount, El Salvador's Foreign Minister, blamed Nicaragua for holding up agreement on a communique and a timetable for signing an ambitious peace pact drafted by the Contadora group.

## Bush comments reveal oil policy confusion in US

BY WILLIAM HALL IN NEW YORK

IS VICE PRESIDENT George Bush, a former Texas oil man, peddling the official US Administration line on oil prices? This is the question uppermost in the minds of the world's oil traders as they monitor the confusing signals coming out of Washington and the Middle East.

Last week, the oil prices turned around after Mr Bush said he wanted to see some stability in the prices of oil and "not have a continued free-fall like a parachutist jumping out without a parachute." Mr Bush, whose comments mirrored earlier observations of Mr John Herrington, the US Energy Secretary, said that he would be telling the Saudi Arabians that steep declines in the oil price were harming "our own domestic interest and thus the interest of our national security."

Mr Bush's remarks contrast with the Administration's strong support for allowing free-market forces to run their course and while the US officials said that his remarks had been taken out of context was quick to distance itself from his position. "We believe that the way to achieve market stability is to let the free market work," said Mr Larry Speakes, the White House spokesman.

The initial view of many Washington observers was that Mr Bush had gone out on a limb perhaps because he was anxious not to alienate his supporters in the south western energy producing states who will be important to him if he runs for the presidency the next time round.

The White House went out of its way again yesterday to play down speculation that there was a rift between the Vice-President and the Administration on oil prices. Mr Edward Djerejan, a White House spokesman commenting on the Vice-President's Middle East trip yesterday, said "there is not even a gray area between the President's position and the Vice-President's position" on declining oil prices.

In spite of these denials many oil industry analysts say that it is clear that the conflicting comments reflect an unresolved policy issue within the Administration. Lower oil prices are a double-edged sword and while the overall effect is good for America there is a level at which even the Administration wants to call a halt to further declines.

In an interview in the latest issue of US News and World Report, a weekly news magazine, Mr Bush says that "if the price stabilised at less than $12 (£8.3) a barrel, substantial financial institutions in this country would be hurt. I do not think the price will stabilise that low but if it did, the US Government would become involved whether it wanted to or not because of its role in protecting financial institutions.

"Those of us who favour non-intervention by Government in markets would be forced to wrestle with the problem as we look at the national security effects plus regional economic recession."

Mr Bush denied that the market for oil was free. "You have a cartel," he said.

"It is important to our national security to have a viable, strong domestic oil industry. The danger is that output will get down to a level where production dries up and cannot be brought on stream again. Then you have hurt the energy base of the US."

Philip Stephens reports on this week's meetings at the International Monetary Fund

## Developed world may rest on its laurels

FORECASTS FOR ECONOMIC GROWTH
(GNP annual percentage change)

| | IMF 1986 | IMF 1987 | OECD 1986 | OECD 1987 |
|---|---|---|---|---|
| Industrialised world | 3.0 | 3.2 | 3.25 | 3.0 |
| Japan | 3.0 | 3.2 | 3.25 | 3.25 |
| US | 3.0 | 3.7 | 3.25 | 3.75 |
| West Germany | 3.7 | 2.7 | 3.50 | 2.50 |

Forecasts based on the assumption of unchanged exchange rates and oil price averaging $15 per barrel.

IT IS difficult to escape the mood of self-congratulation among governments of the main industrial countries as this week's series of meetings at the International Monetary Fund (IMF) get underway.

The collapsing oil price and the sharp change in the pattern of exchange rates have reinforced confidence that the current economic recovery, already the longest cyclical upturn for more than 30 years, will continue into 1987.

The U-turn in US policy signalled by last September's agreement among the Group of Five (the US, Japan, West Germany, France and Britain) to force down the value of the dollar against major currencies also appears to have opened new possibilities for international policy co-ordination.

Mr James Baker, the US Treasury Secretary, is widely rumoured to be preparing a fresh initiative ahead of next month's World Economic Summit in Tokyo to build on the success of joint exchange and interest rate actions.

He has acknowledged, though, that his counterparts in the G-5 group, like him members of conservative administrations, may prefer to leave well enough alone. "It may be that circumstances are so optimistic that maybe the best thing to do would be to do absolutely nothing . . . . Some could make that argument," he commented recently.

The IMF and the Paris-based Organisation for Economic Co-operation and Development predict that economic growth in the industrialised world will average 3 per cent or slightly more both this year and next.

Inflation, already falling in most rich nations, has been given another downward twist by the dramatic fall in oil prices. The OECD, which has compiled its forecast on the technical assumption of an average oil price of $15 per barrel, is predicting a collective inflation rate among its 24 members of less than 3 per cent in 1987.

In Japan the inflation rate is forecast next year at a barely-measureable 0.25 per cent, while in West Germany prices could actually fall fractionally, according to the OECD.

The satisfaction within G-5 with such forecasts is not shared by many developing countries. The oil producers among them, including Mexico, Venezuela and Nigeria have suffered a severe blow from the price collapse. Their economies, the IMF predicts, will at best stagnate this year and grow by less than 1 per cent in 1987.

Oil importers within the less developed world may fare better with growth rates of 4.9 and 4.1 per cent anticipated for 1986 and 1987 respectively. They remain far from convinced that the Baker initiative unveiled at last autumn's IMF meeting in Seoul will bring a significant improvement in their debt-servicing capacity.

The US remains opposed to the capital increase being sought by the World Bank to boost the flow of resources to the LDCs, while commercial banks have yet to demonstrate that they are willing to commit sizeable amounts of new money to the heavily-indebted nations.

Signs of a broader consensus among the industrialised nations on economic strategy also mask some important differences and problems.

At this week's meeting of the IMF's policy-making interim committee, governments are expected to agree to widen the scope of international co-ordination to include a more general commitment to pursue policies compatible with sustained growth in the world economy.

There also has been agreement among officials preparing the talks to give the IMF an enhanced, if still somewhat vague, role in studying and commenting on the interaction of the policies being pursued by the governments in the largest economies.

It is this that Mr Baker may be seeking to package as a new initiative in time for the Tokyo summit, according to senior officials.

Beneath the surface, though, there are differences. West Germany remains opposed to the idea of an international monetary conference, and Mr Baker could be forced to shelve the idea.

Perhaps more fundamentally there is concern that the pattern of growth expected in the industrialised world will not do enough to reverse the present huge current account imbalances.

The sharp rise in the value of yen since last September has resulted in a significant slowing of the Japanese economy, with the IMF predicting growth of only 3 per cent this year, well below its productive capacity.

At the same time the prospects for West Germany may not be as optimistic as current trends suggest. The IMF predicts that, on present policies, growth there will slow from the 3.7 per cent expected for 1986 to less than 2½ per cent by the fourth quarter of next year.

The recent contacts between the Group of Five also suggest that co-operation on exchange rates has become more difficult as the dollar has declined.

Japan has made it clear that for the moment at least it does not want to see the US currency fall much further against the yen. Recent signals from the US Administration have been interpreted as suggesting that Washington might also accept a pause.

Mr Baker, however, remains under pressure from Congress to produce evidence that the dollar's fall is beginning to reverse the huge US trade deficit, and there are suspicions among many officials that he will soon begin to press for a further decline in the US currency's value.

The Fund's economists do not quite share Britain's optimism on the outlook for its economy. Growth in the UK could be below 2½ per cent both this year and next, they predict.

Among European governments there are doubts over whether the Gramm-Rudman budget balancing legislation will result in major cuts in the US budget deficit, which, in turn, puts a question mark over the extent of possible further reductions in interest rates.

If the IMF's projections prove correct the outlook for external economic imbalances is similarly uncertain. On the assumption of unchanged exchange rates, it predicts that the US current account deficit will remain at $114bn this year and fall only fractionally in 1987.

Japan's surplus may reach $72bn in 1986 before falling back to $62bn in 1987, still well above last year's figure.

Those forecasts do not suggest an easy ride for international economic co-operation, particularly if governments do decide this week that the best thing to do is nothing.

## Argentine austerity plan altered

By Our Buenos Aires Correspondent

ARGENTINA has announced the first changes to its nine-month-old austerity package, the Austral Plan.

The modest alterations include: a 3.75 per cent devaluation of the currency, the austral; the substitution of price controls with administered prices taking account of input costs; minimum and maximum salary increases of 18 and 25 per cent in the private sector, and 18 and 21 per cent for state company employees; and a 5 per cent pay rise for public administration employees whose purchasing power will be defended by additional increments in the 1986 budget.

In addition, rates for oil, gas and electricity have been increased.

Financial markets had already adjusted to the changes. The parallel dollar quotation rose and then fell last week, while interest rates continued their downward slant.

The devaluation, which brings the official exchange rate to Austral 83 to the dollar, was criticised as insufficient by exporters, particularly in the hard pressed agricultural sector. Farmers have scheduled a one day protest for April 21 demanding measures, primarily further reductions in export taxes, to compensate for falling international prices and higher production costs.

# WORLD TRADE NEWS

CONTRACT BATTLE ENDS IN LAST-MINUTE PRICE CUTS

## French win India pipeline order

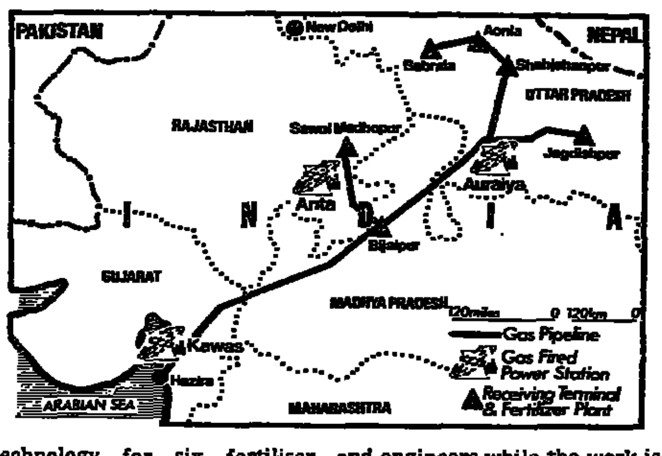
BY JOHN ELLIOTT IN NEW DELHI

A FRENCH - JAPANESE consortium was yesterday awarded a $600m (£428m) contract by the Indian Government to build a 1,700km cross-country natural gas pipeline.

The contract comes after a closely-fought commercial and political battle lasting more than two years which ended with last-minute price cutting on Sunday night.

The consortium is led by Spie-Capag of France, part of Groupe Spie Batignolles, and includes NKK and Toyo of Japan, with $386m in soft loans and credits from the two countries.

The UK government is providing $10m in grants and $40m in credits to back a subcontract for Ingersoll Rand which will supply turbines to pump the gas, using technology derived from aero-engines.




### Strong base

The award is the latest of a series of significant contracts won in India by France and Japan and is a major blow for Snamprogetti of Italy which has a strong base in India and always assumed it would win the contract.

France has in recent months sold Airbus aircraft, 27 Aerospatiale helicopters and a Cit-Alcatel telephone exchange factory. Japan last year won a $94m contract to supply some of the pipes for the pipeline and a $100m contract to build the Nava Sheva port at Bombay, as well as continuing to make inroads into the country's motor and electronics industries.

Snamprogetti is supplying technology for six fertiliser plants being built on the pipeline and has a $35m-$40m turnkey contract to construct one of the plants.

After a letter of intent had been issued to the Spie consortium and a statement made yesterday in the Indian parliament, both Snamprogetti and the other main contender, a Canadian consortium led by Majestic and Novacorp of Alberta, said they accepted the verdict and would not try to challenge it.

The pipeline has been the subject of intense competition because it is one of the largest and most important pipeline projects now available internationally.

India has been keen to obtain the cheapest forms of financing, as well as low prices, and to ensure that as much technology and expertise as possible is transferred to Indian companies and engineers while the work is carried out.

The Spie consortium submitted the lowest price last November at $609m. But sharp increases in the value of the yen and French franc pushed its price up to $670m by the middle of last month.

Last Thursday, when fresh bids were submitted, Spie was the lowest significant contender at $604m-$614m priced in dollars, francs, yen and Indian rupees.

It dropped this on Sunday to $570m mainly because of the weekend devaluation of the franc.

A company spokesman said yesterday that $80m of the $100m cut from last month's $670m was due to currency changes and $20m came from price reductions.

Defending the government, which has in the past been accused of favouring Snamprogetti, Mr Chandra Shekhar Singh, Minister of State for Petroleum, told the Indian parliament that the re-tendering had saved the country Rupees 1bn (£3.1bn).

The French aid package totalling $150m includes $75m soft loans at 2.5 per cent over 18 years after a 10-year grace period. The Japanese package equals $236m with $11m loans at 3.5 per cent over 30 years with 10 years' grace.

Spie will carry out 45 per cent of the total work including 60 per cent of the pipelaying, the project management and terminals.

It will also be responsible for telecommunications costing $60m which are to be supplied by Alcatel-Thomson of France, including transfer of technology to the government-owned Bharat Electronics.

### Technology transfer

The remaining 55 per cent of the work will be equally split between NKK and Toyo, with NKK carrying out 40 per cent of the pipe-laying and the cathodic protection, and Toyo being responsible for compressor stations.

Pipe-laying technology and experience will be transferred by the consortium to their Indian partner, Larsen and Toubro.

Ingersoll Rand will transfer aero-engine turbine technology to Hindustan Aeronautics, the Indian Government aircraft manufacturer.

The client is the Gas Authority of India and the main consultants are engineers India.

## Keen fight for power station contracts

BY JOHN ELLIOTT

THE WORLD'S major gas turbine manufacturers are lining up to tender for three combined cycle power stations totalling 1,500 Mw to be built in India at a cost of $1.28bn (£914m) on the 1,700 km natural gas pipeline.

The power stations will be partly funded with a $485m World Bank loan announced at the weekend which the bank said is the largest amount it has ever lent for a single project.

Keen tendering is expected for the contracts which may mean that the $485m covers the entire foreign exchange requirements. Under original estimates, it was expected that another $100m-$150m would be needed in soft loans and credits supplied by the tenderers.

A British consortium, comprising John Brown, Hawker-Siddeley and GEC is considering submitting a tender and the British Government has said it would consider backing this with aid.

Other expected competitors include Alsthom of France which last year won a $55m contract to supply six 30 Mw turbines for the New Delhi electricity supply undertaking, Hitachi and Mitsubishi from Japan, GE from the US, which has recently won turbine orders in India, Fiat from Italy and Brown Boveri from West Germany.

The 1500 Mw is split into 640 Mw at Kawas, Gujarat, at the start of the proposed pipeline near Hazira, 460 Mw at Anta on a spur of the pipeline in Rajasthan, and 640 Mw at Auraiya in Utter Pradesh.

The World Bank funding is to be spread across all three power stations, which might be awarded in a single contract to one tenderer. Companies have been invited to bid for one, two or all three stations.

Tenders have already been invited by India's National Thermal Power Corporation which is considering extending the current closing date of June because the project has yet to receive full approval from the Indian Cabinet.

● The Steel Authority of India said yesterday it is negotiating with Japan for a loan of $500m for renovation of the Burnpur plant in West Bengal of the Indian Iron and Steel Company (IISCO).

The authority has already started talks with the UK for modernising its Durgapur plant in West Bengal which is ahead of Burnpur in the list of its priorities. Funding for modernising a third plant, at Rourkela, is being discussed with the World Bank.

## UK shares in new Singapore metro deal

By Chris Sherwell in Singapore

GAMMON Hong Kong, a joint venture between Trafalgar House of the UK and Jardine Matheson of Hong Kong, has won another contract worth S$96.2m (£30.7m) for work on Singapore's Mass Rapid Transit (MRT) metro project.

The award, made to a partnership of Gammon with Antara Koh, a Singapore construction company, is for the Marina Bay station and associated tunnels. It is the last civil engineering contract to be awarded under Phase Two of the project.

In January last year, Gammon teamed up with Henry Boot International of the UK and Singa Development of Singapore to win the contract to supply and instal the system's complete rail track network.

The deal, worth S$267.4m, was the second largest of the metro contracts, after the rolling stock award.

Gammon had previously won a contract for earthworks at an MRT depot and is carrying out work on another station and depot. It has also been closely involved in the building of Hong Kong's metro system.

Marina Bay station is one of several so-called "civil defence" stations on the system, designed to provide shelter in a war. They feature special plates to withstanding flying concrete.

## Norway rejects bid to compete with SAS

NORWAY has turned down an attempt by a non-Government carrier to begin international air traffic in competition with Scandinavian Airlines System (SAS), half of which is owned by the Norwegians, Danish and Swedish governments, AP-DJ reports.

The Norwegian Cabinet has rejected an application from the Norwegian - based Braathens South-American and Far East Transport to begin direct traffic from the west coast of Norway to Manchester/Newcastle in the UK, Duesseldorf in West Germany, Paris and Brussels.

SAS does not fly these routes. The government based its decision on the grounds that Braathens's request conflicted with civil air guidelines in Norway, Denmark and Sweden.

## EEC approves law on Spain and Portugal trade practices

BY MAGGIE FORD IN BRUSSELS

COUNTRIES or companies in the European Community which believe that unfair trade practices involving Spain or Portugal are taking place will be able to take action under new legislation approved by the EEC Council of Ministers.

The legislation will apply during the seven- to ten-year transitional period before the two countries achieve full parity. All 12 countries can complain under the procedures.

Spain has already complained about steel dumping by EEC countries, and the original ten have faced problems over Spanish petrochemicals. Textiles and agricultural products may be other areas of dispute.

The European Commission proposed the new regulations to deal with the transition period after difficulties caused by the lack of regulations following Greece's accession in 1981.

The Commission has invited industry representatives to submit anti-dumping complaints and will authorise the injured party to take protective measures, such as imposing import duties, if it finds a complaint to be proven.

The new legislation also allows for the re-examination of anti-dumping duties between Spain and Portugal and the other members in areas such as steel and petrochemicals.

● EUROPEAN Community authorities are to investigate New Zealand claims that France has put up trade barriers following the Rainbow Warrior scandal, a Community official said, Reuter reports from Wellington.

Mr Willy De Clercq, the External Relations and Trade Commissioner, said the Commission has not asked the New Zealand Government for information about its imports of New Zealand meat and wool.

New Zealand has complained to the Commission that France is stepping up trade pressure over Wellington's refusal to free two French secret agents, jailed for 10 years for blowing up the flagship of the Greenpeace Environmental Movement in Auckland harbour last July.

"We are now going to investigate, and we are expecting a clear stand from the French Government," said Mr De Clercq, who is on a week-long official visit.

## Belgrade's balancing act in fresh phase

BY ALEKSANDAR LEBL IN BELGRADE

YUGOSLAVIA'S commercial balancing act has entered a fresh phase with the recent conclusion of pacts calling for a 14 per cent increase in total trade with the seven European members of Comecon over the next five years.

Yugoslavia's 1981-85 trade accords with Comecon as a whole fell slightly short of target.

If fulfilled the new trade agreements with the East could frustrate Yugoslavia's overriding goal of boosting hard currency earnings in the West and Third World. These are needed to service the country's $19bn (£13.5bn) debt.

Non-aligned Yugoslavia is also virtually unique in setting out, for essentially political reasons, its desire to distribute its trade more broadly.

Last year, East and West each accounted for about 41 per cent of Yugoslav trade. But, while this was just in line with the Yugoslav Government's formula for East-West balance, the 18 per cent share of trade with the debt-saddled Third World was considered too low.

So one of the government's aims is to raise the Third World trade share to 25 per cent, with the rest split evenly between East and West.

Under agreements concluded this spring, Yugoslavia's trade with the seven Comecon countries is to rise from $56.7bn worth in 1981-85 to $64.2bn in 1986-90. Yugoslavia has formal clearing or barter agreements with its three largest Comecon trading partners — the Soviet Union, Czechoslovakia and East Germany.

The value of shipments is denominated in dollars, but since exports and imports are balanced every few years, hard currency does not change hands.

YUGOSLAVIA'S TRADE WITH COMECON ($bn)

| | Agreed 1981-85 | Actual 1981-85 | Agreed 1986-90 |
|---|---|---|---|
| Comecon Europe | 58.7 | 56.7 | 64.2 |
| USSR | 31.0 | 35.0 | 37.0 |
| Czechoslovakia | 7.0 | 7.2 | 7.4 |
| East Germany | 5.5 | 4.4 | 4.5 |
| Poland | 3.3 | 3.2 | 5.0 |
| Hungary | 4.3 | 3.2 | 4.6 |
| Romania | 4.5 | 1.6 | 2.3 |
| Bulgaria | 3.1 | 1.5 | 2.4 |

## Isuzu to lower price of cars for sale in US

By Yoko Shibata in Tokyo

ISUZU IS to lower by 5 per cent the yen-dominated prices of the cars it supplies to General Motors for sale in the US.

The move, at GM's request, reflects the sharp appreciation of the yen against the dollar and is expected to reduce the pre-tax profits of the Japanese vehicle-maker, in which GM has a 34.2 per cent stake, by about Y5bn (£19m) a year.

Other Japanese car-makers including Suzuki, which also has a supply agreement with GM, are expected to follow suit.

The move, against a background of reduced demand for cars in the US this year, indicates that the price-competitiveness of Japanese cars is now under severe pressure as a result of the yen's appreciation.

Japanese car sales in the US during the fiscal year to the end of March totalled 2.2m units, against an import quota set at the start of the year of 2.41m units.

● China is reported to be developing two centres to make small cars, Reuter reports. One centre at Harbin will produce 40,000 cars and 50,000 engines a year by 1987. The second centre will be at the Tianjin Motor Vehicle Industrial Company, and will produce 10,000 cars a year.

# UK Provident faces line of rescue options

BY ERIC SHORT

THE BOARD of the troubled mutual life company, UK Provident Institution, may be faced with the choice between being absorbed by another financial institution or varying future bonus rates so that it can continue to operate independently.

It is understood that at least three rescue plans are on the table, one white knight reportedly being the Trustee Savings Bank and another being a mutual life company.

Long-established traditional life companies, such as UK Provident, which was incorporated in 1840, have such strong reserves that they can normally ride out one or two adverse financial developments without significantly affecting bonuses to with-profit policyholders.

However, UK Provident appears to have been hit by as many as three separate problems at a time when in any case it has been running down its free reserves as a proportion of its growing life funds.

First, it has been paying very high interest rates on its popular deposit investment plan for pension schemes, a plan that is used for short term investment although it was designed strictly as a medium term vehicle. The company closed this £100m fund to new subscribers more than two weeks ago.

Secondly, it has been suffering from the cost of financing rapid growth in new business, particularly last autumn's launch of unit-linked bonds. Finally, its sizable property portfolio appears to have a rather dull performance in line with the market generally.

The option to continue on an independent basis, even if the company does not cut its bonus rates, is fading rapidly. Many insurance intermediaries admit that they have at least temporarily put a ban on doing new business with the company, and it would be hard for UK Provident to restore confidence quickly in a highly competitive market place.

Insurance intermediaries are calling for an early clarification of the position, and it is understood that UK Provident hopes to make an early announcement.

While a rescue would make commercial sense, it would involve considerable administrative problems since UK Provident is a mutual life company without any equity shareholders. Technically, it is owned by its with-profit policyholders and any changes in its structure would require the approval of the overwhelming majority

# Dixons' chief sued by Woolworth

BY CHARLES BATCHELOR

WOOLWORTH HOLDINGS, the general store group which is fighting a £1.7bn takeover from Dixons, the electrical retailer, yesterday issued a writ claiming injurious falsehood against Mr Stanley Kalms, Dixons' chairman.

Woolworth objects to a statement reportedly made by Mr Kalms that "there is not a retailer in the outfit." It says that six of its 12-man group board have retailing experience as do many of its divisional directors.

This is the latest in a series of bid battles which have prompted legal actions though none has begun at such an early stage in the campaign. Hanson Trust has issued writs in the course of its battle for Imperial Group as have Guinness, which is bidding for Distillers and GEC which is attempting to acquire Plessey.

Dixons' last major takeover battle, its £248m bid for control of Currys, its electrical rival, ended in the High Court when Currys unsuccessfully challenged the level of acceptances gained by Dixons.

Mr Geoffrey Mulcahy, Woolworth managing director, said: "A lot of our employees are very angry and very upset by Mr Kalms' reported comments. It is not our intention to fight this bid through the courts. Our main concern is our employees."

# Trust to promote share ownership

By David Thomas

UNITY TRUST, the trade union-backed financial institution, has set up a new company, Esop Ltd designed to promote employee share ownership plans in Britain on the US model.

The new company will be an advisory and consultancy service intended to help companies wanting to introduce employee shareholding. Unity Trust sees it as particularly relevant to management buy-outs and has already been involved in the proposed management buy-out for Land Rover.

Trade unions provide a big part of Unity Trust's £40m deposits, and the unions have generally welcomed the trust's backing for employee ownership, a highly unusual move for British unions. City of London institutions involved in management buy-outs yesterday gave a cautious welcome to the trust's initiative.

The specific idea which Unity Trust is promoting leans on US experience. On one recent estimate, more workers will be in employee share ownership plans (Esops) in the US by the end of the century than in trade unions.

An employee trust is at the heart of the type of Esop which Unity Trust wants to promote in Britain. The employee trust would hold a block of shares on behalf of all employees in a company introducing an Esop. Theoretically, the block might be any size.

In Britain, there are now plenty of management buy-outs, but many fewer buy-outs involving most of the workforce. Institutions specialising in buy-outs put this down to the speed with which most buy-outs have to be organised and to the problems of dealing with more than a small group of senior managers.

Unity Trust reckons that an Esop could fill that gap, helping to bind the whole workforce to the success of a buy-out. Money to pay for the Esop would be raised by loans through Unity Trust itself and through other lending institutions, including the Co-operative Bank which part owns Unity Trust. The loans could be repaid in a number of ways. Employees could gradually buy shares from the trust, perhaps by taking annual bonuses in the form of shares, though employees would have to sell the shares if they left, thus keeping the Esop stake at a minimum level.

Before establishing an Esop, Unity Trust and any other backers would need an indication that the employees were interested in the basic idea. But they would not need the elaborate negotiations with individual employees or groups of employees that more direct forms of employee shareholding would entail.

Unity Trust has already had a trial run at this through participation in the attempt to put together the management buy-out of Land Rover. The buy-out team, advised by Schroder Ventures, agreed that Unity Trust would take a 10 per cent equity stake in the form of an Esop.

NEWSPAPER GROUP SETTING UP IN-HOUSE BARGAINING GROUP

# Murdoch takes tip from Japan

BY PHILIP BASSETT, LABOUR EDITOR

NEWS INTERNATIONAL, Mr Rupert Murdoch's UK publishing group, is setting up in-house bargaining and consultative arrangements with its employees modelled on the strike-free agreements in a number of UK-based Japanese factories.

Traditional print unions are likely to view the new arrangements as a step towards company-unionism or non-unionism. However, Mr Bruce Matthews, NI's managing director, yesterday re-emphasised the company's intention to retain unions.

A five-member team at NI is drafting the new procedures to cover all bargaining and consultative arrangement. The intention is to expand the team's numbers and to put the seats on the final body out to election within the Wapping plant.

The body would handle pay negotiations for the company's employees though such talks are not envisaged until next year. Print workers earn from £17,000 to £30,000 a year at Wapping.

Company officials have visited a number of Japanese plants, including Hitachi in South Wales, to look at their complex consultative arrangements which form a key element of their "no-strike" deals.

Such procedures include the company making joint decisions with employee representatives about a range of policy issues. These decisions are based on detailed financial information about present and projected performance supplied regularly to the consultative body.

NI managers are ready to make similar provisions on sensitive commercial information when the new arrangements are in force.

The company is also prepared to add further financial provisions to its unprecedented offer of last week to make over to the unions its printing plant at Grays Inn Road in London for the production of a labour newspaper.

The print workers would be required to offer NI first refusal of the plant if the paper failed within five years.

NI costs the offer of its plant at about £55m, but it is likely that further money – probably in the region of the £14m the company mentioned earlier in the Wapping dispute – would be made available for hardship and compensation for those dismissed after going on strike against the move to Wapping.

There are no clear signs yet that the further money would be dependent on accepting the plant offer, but if the unions take up the Grays Inn Road scheme, the company would be able to move to further talks more easily.

# Reader's letter sparked union dilemma

BY OUR LABOUR STAFF

TALKS this week, probably starting today with a meeting of print union leaders, may begin to put negotiating flesh on to Mr Rupert Murdoch's extraordinary offer to make over to the unions News International's printing plant at Grays Inn Road, London.

The Times and Sunday Times used to be produced, at the plant before they moved to the high-technology facility at Wapping, in London's docklands. The move led to the loss of about 5,000 traditional print jobs.

Mr Murdoch's offer is unprecedented and audacious – but how realistic is it? And how much of a problem does it pose to the unions as the dispute nears its three-month mark?

It is clearly a real dilemma for the unions evidenced by the different signals on it which have emerged from print union leaders.

The genesis of last Friday's offer is no less startling than the fact of its being made. It is seen by the unions as bearing the obvious stamp of Mr Murdoch himself, but in fact it stemmed from a reader's letter.

On February 27, the Times published a letter from Mr D.P. Forbes, of London, suggesting that the general print union Sogat '82 should make a "virtue of necessity" and grasp the "tremendous opportunity" offered by the dispute. This meant obtaining News International's surplus printing capacity and launching a left-of-centre popular daily to exploit the allegedly enormous readership potential for such a newspaper and to offer something better than unemployment to the 5,000 sacked print workers.

Mr Bruce Matthews, NI's managing director, saw the letter, liked the idea, and passed it on to Mr Murdoch. He liked it, too, and detailed planning began, culminating in the tabling of the offer last week – carefully timed in advance of a long-planned rally in London's Trafalgar Square.

| VALUE OF MURDOCH'S OFFER | £ |
|---|---|
| Printing units | 25.5m |
| Press conveyors | 360,000 |
| Publishing equipment | 89,000 |
| Sprigs (paper direction equipment) | 770,000 |
| Ink and air systems | 600,000 |
| Press and publishing electrics | 3.5m |
| Inksetting equipment (colour pre-print) | 576,000 |
| Photocomposition system | 7m |
| Hot metal composing type foundry | 3.5m |
| Photographic & telephoto equipment | 250,000 |
| Total | 42.14m |
| Site | 12m–15m |
| Total | 54.1m–57.1m |

The idea chimed in happily with the growing realisation in NI that, while the company might want to increase its UK printing capacity because of the strains of producing in Wapping, it might well not want to do so in London.

Instead, a third printing plant – papers are produced now in Scotland as well as at Wapping – would be established outside Manchester, leaving the Sun/News of the World site in Bouverie Street, London, which NI owns, up for sale for redevelopment.

Broad outlines only of the offer were disclosed last week, but in more detail it consists of making over:

- The rear of the original Thomson House building on Grays Inn Road. The front of the building, which housed the Sunday Times, and the old Times building are both leased, and the end of those leases would be negotiated.
- A total of 60 printing units, six paper folders and their associated conveying, stacking and tying machines.
- Existing Text II electronic typesetting equipment, and 2 APS Micro 5 typesetters.
- Wire room, darkroom and photographic equipment.
- 150 Linotype machines and other hot-metal equipment.
- Page cameras, processors, plastic pattern platemakers and ancilliary equipment, plus stereo moulding and casting equipment.
- Telephones plus exchange, furniture and fittings for the editorial department.

The site comprises about 223,000 sq ft, plus another 80,000 sq ft in the basement and front hall of the old Sunday Times building.

Costings put to the unions, based on the start-up cost of the equipment if it were bought now, are shown in the table.

That is the hard detail of the offer: its implications went further and were described by Mr Tony Dubbins, general secretary of the NGA craft print union, as "dangerous" when they were put to him.

This was in part because all clever offers in disputes – and few come cleverer than this – are disconcerting, but mainly because the impact of the Murdoch offer was to throw the unions back on the nub of their own position.

In moving to Wapping, Mr Murdoch was effectively telling the print unions: I no longer want to produce these papers with your people, at your manning levels, on your pay, with your working practices. But the unions have replied that it was their members – with their manning, pay and practices who contributed massively to Mr Murdoch's profits, demonstrating newspapers could be produced successfully with these practices.

To make a newspaper work, the print unions would have to face exceedingly difficult decisions, including cutting down their own numbers and the question of direct entry of copy by journalists.

Walking away from such choices would seem to be the best option for the unions, but it is not one they can easily take. The labour movement has long cherished a desire for its own paper, and Mr Murdoch's offer might be that dream's best chance of becoming reality (which is why the Labour Party is thought to be keener on the scheme than the Trades Union congress).

Mr Dubbins and Ms Brenda Dean, Sogat general secretary, have also stated they see more value in the offer as part of a package – and if NI can get agreement on the plant, it might well be prepared to go on to consider hardship and compensation payments for those sacked.

Picket-line stalwarts at Wapping dismiss the offer as a "gimmick," echoing Mr Dubbins' view. But, in a dispute in which public opinion has been consciously seen by the unions as their main weapon, Mr Murdoch's move may well have seized back for him the public opinion advantage, throwing the unions back on the themselves in the most awkward way possible. There is little doubt now in which court the Wapping ball is.

# Dispute in prisons threatened

By David Brindle

PRISON OFFICERS in England and Wales will tomorrow vote on industrial action in what their union and the Home Office fear could signal a rerun of a 16-week prison dispute in 1980–81.

Talks between the two sides are due today, but there is little optimism of a settlement, and leaders of the Prison Officers' Association (POA) say the ballot will go ahead regardless.

If disruption does take place, it will be the first national dispute in the Civil Service arising from the Government's Financial Management Initiative, by which budgetary control is being devolved to local level.

According to the POA, this means governors of prison establishments are able to ignore local and national agreements on staffing levels and meet budget targets by imposing any levels they consider appropriate.

Mr David Evans, the union's general secretary, said yesterday: "The prison department needs to act in good faith. It needs to ensure that both local and national agreements are not broken unilaterally by the department."

Since the start of this month two prisons have announced plans to introduce Sunday work rotas on Fridays to make savings, the union says.

It claims the budgetary changes are hitting almost 50 per cent of the prison population. With tighter budgetary control required by the department from April 1, the POA warns that the continuation of humane regimes for inmates is at risk.

It is urging its 18,500 members to vote for industrial action up to and including the possibility of a strike. However, POA leaders say they will not call an all-out strike, though they are not otherwise disclosing their tactics.

Whitehall officials are sceptical about the union's declared motive for the dispute. They say it has more to do with a threatened loss of overtime by prison officers than with prison conditions. The officers' average earnings are £15,000 a year.

# UK NEWS

David Fishlock looks at plans to allow irradiation of food

## All clear for 'picowaved' menus

A MERRY throng of ministers and senior government officials from 96 nations scoffed deep-fried frogs' legs and shrimps with evident relish at a party in Vienna.

One unusual factor, however, set the occasion apart from most others like it: all the food had been processed with nuclear radiation to ensure no-one would suffer food-poisoning.

Even the orchids decorating Vienna's Hofburg for the occasion had been treated so that no living insects accompanied the blooms from the East.

Britain may soon be holding its own celebration to welcome the arrival of nuclear-processed food, until now available only to laboratory taste panels.

Since 1982 an expert committee set up by the UK Department of Health has been reviewing the evidence of 30 years' research worldwide on the safety of "irradiated" food.

The committee was asked to study the question following a favourable report in 1980 for a UN expert committee drawn from three of its agencies – the world Health Organisation, the Food and Agricultural Organisation and the International Atomic Energy Agency.

The report of the UK committee headed by Sir Arnold Burgin, master of Darwin College, Cambridge, and one of Britain's top medical scientists, is due on Thursday.

Like the UN experts, Sir Arnold has been unable to find any evidence that irradiation of food under the conditions recommended will cause harm.

Nevertheless, as a new application for nuclear energy not previously licensed for use in Britain, government approval of irradiated food is expected to spark fresh public controversy.

Food irradiation is a pasteurising process, carried out at levels of radiation intensity much lower than are already used to sterilise medical goods such as surgical gut and artificial joints implanted in people.

It uses byproducts of nuclear physics to obtain the radiation. They include highly radioactive materials such as cobalt-60 – also widely used as a source of gamma rays in medical diagnosis and treatment – and machines such as electron-beam accelerators.

The radiation, like the popular microwaves used for cooking, is another band of the spectrum of electromagnetic radiation, a million times shorter than microwaves. It raises the food's temperature only a few degrees but is lethal to such toxic organisms as salmonella.

In the US, the Food and Drug Administration, watchdog of public safety for consumables, has proposed the term "picowaved," by analogy with "microwaved," instead of irradiation.

Soon after Sir Arnold's committee convened, the British food industry mounted its own co-operative research programme to help decide where and how it might use the new process. For £500, the 800-odd members of the Leatherhead Food Research Association in Surrey can buy a report of the industry's trials on the pasteurisation of a wide range of foods, using both gamma rays and electron beams.

The laboratory has used taste panels to judge any effects on flavour and texture, at different radiation levels – all well below the limit set by the UN experts.

It is no cure-all, says Dr Alan Holmes, the director, whose interest in the process dates back to his days as a researcher with Unilever in the 1950s. Milk tastes "nasty," cabbage loses its crispness, celery turns "brown and horrible," grapes become sweeter but lose their texture.

As a general rule, irradiation has problems with foods high in water and fat, such as dairy products and oily fish such as herring. The food industry would like to treat cocoa beans at source to kill off any infestation, but so far the taste panels have found a persistent mustiness in chocolate made from irradiated beans.

But Dr Holmes's scientists have scored successes – for example, with cheddar cheese, which they now know how to treat for long shelf life without going mouldy.

They have also verified its value in prolonging the freshness and shelf life of many fruits and vegetables, and mushrooms. Asparagus spears also stay straight, and onions and potatoes resist sprouting.

Dr Holmes believes two factors above all will decide whether the food industry adopts irradiation. One is the possible economic advantages of the extra flexibility. A big capital outlay – £1m-£1.5m – is needed to set up a food irradiation facility, although Dr Holmes sees this having the advantage of discouraging "cowboys" who could undermine any merits.

For the housewife, the first clear benefits could be the availability of exotic fruits such as mangoes, papaya and figs almost all year round.

The second decisive factor will be public acceptance when other nuclear activities are constantly in the public eye. Either the British housewife will accept the advantages, as she has accepted the advantages of microwave cooking in spite of scare stories about radiation leaks from ovens sterilising bystanders.

## Dishwasher launch loses some sparkle

Ian Hamilton Fazey reports on criticism surrounding revival of the UK's dishwasher production line.

BRITAIN'S only dishwasher production line will be officially opened tomorrow with the company's management bristling at criticism that the products are not British enough.

The new line is at the Kelvinator factory in Bromborough on the Wirral peninsula in north-west England. The plant was bought from US-owned White Consolidated Industries in 1980 by Candy, Italy's third-largest manufacturer of domestic appliances.

Since then, Candy has increased daily refrigerator output at the plant from 200 to 1,100, and the number of employees has doubled to 400.

A new refrigerator line was laid down last month at a cost of £500,000. This came on top of £250,000 spent on the new dishwasher line, which began turning out machines just before Christmas, creating another 20 jobs.

The plant is assembling 60 dishwashers a day, but this is expected to accelerate quickly towards 200 during the spring.

The new machines are the first dishwashers to be made in Britain since the home industry became uncompetitive and shut down in the early 1970s. However, the company has faced criticism for being simply an assembler of Italian kits.

Mr Colin Darwen, Kelvinator's marketing chief, said: "That's the only way we could get the line started. We imported everything so as to learn and smooth out assembly problems as quickly as possible. Ever since, we have been continuously replacing more and more bits of the machines with home-made components."

Some parts, such as the outer casing, have been easy to obtain from British sources.

But some parts will never be made in Britain. "When you don't, as a nation, make dishwashers, no one makes the specialised components they need. You can't get things like programme timers in Britain," Mr Darwen says.

For the same reason, the specially formed stainless steel interiors will also have to be imported. But he believes most machines will soon be British, providing jobs among component manufacturers in the UK.

One difficult design problem relates to the plastic-covered baskets in which dishes are stacked. A cultural divide is the culprit.

Mr Darwen says Continental tastes lead to smaller dishes, plates and cups – and all in sets of 12. The British prefer big plates, usually in half-dozen sets, and many drink tea and coffee from mugs.

Replacing the Italian baskets, therefore, is not a matter of copying them but of designing something different to suit British habits. Moreover, Mr Darwen believes that replacing these components ought to give Kelvinator's almost-British dishwashers an edge over foreign imports.

At stake is an expanding market in the UK, where dishwashing habits are changing quickly. When British manufacture stopped, there was a lack of domestic volume to offer economies of scale. The market had stuck at 196,000 machines a year.

Sales now are estimated at 250,000 a year and rising. The main reason appears to be the growth in fitted kitchens which include the latest labour-saving devices.

# Austin Rover may build Honda Ballade at Longbridge plant

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

AUSTIN ROVER, BL's volume cars company, is likely to start building Honda Ballade cars at its Longbridge plant in Birmingham by the end of year under a subcontract deal with the Japanese company.

The state-owned company sees the deal as an opportunity to get much-needed volume on its under-utilised assembly tracks.

Production of the Ballade, Honda equivalent of the present Longbridge-built Rover 200 series, will run from this November at about only 4,000 vehicles a year.

There is scope within the BL corporate plan, however, for Honda subcontract assembly to rise to as much as 100,000 vehicles a year by the early 1990s. The Longbridge pilot scheme will have a key role in deciding whether such targets can be achieved. Honda will be examining the quality of the UK products and how it compares with imports.

Whether Austin Rover capacity is used at Longbridge or the Cowley comlex in Oxfordwill depend upon the Honda models to be assembled.

Austin Rover must look increasingly to its collaborative ventures with Honda, following the government veto of merger talks with Ford of Europe.

The volume cars company, after suffering a trading loss of approaching £10m in 1985, is likely to dip into the red again this year and is hardly an attractive proposition for privatisation.

Austin Rover seems to have maintained close relationship with Honda despite the political and commercial arguments about a possible tie-up with Ford. Talks with Honda are well advanced on the next joint venture – code-named the AR8, which will replace the present Rover 200 series and Maestro and is expected to be launched in the UK in spring 1989.

The new car is seen as crucial to establishing Austin Rover's presence in the vital fleet market where it has so far failed to achieve the necessary impact with its Maestro

● Vauxhall-Opel's share of teh UK new car market fell to 14.03 per cent last month.

The drop, which left it 2.71 per cent behind BL, prevented the GM subsidiary from demoting BL to third place in the sales charts in the year's first quarter overall, writes **John Griffiths.**

Ford remained the clear market leader, with a share of 26.12 per cent, according to statistics published by the Society of Motor Manufacturers and Traders yesterday.

# Big Bang 'may find some firms unready'

BY ALAN CANE

CITY OF LONDON firms large and small are in trouble over their technological preparations for the Big Bang which will transform the London stock market this autumn, and the Stock Exchange admitted yesterday that some may not be ready in time.

**Mr Patrick Mitford-Slade,** chairman of the Stock Exchange projects committee, said the Big Bang would go ahead on October 27 "come what may." If member firms were not ready, it could cause chaos, he said, but commercial pressures meant no delay could be brooked.

Speaking at a Financial Times conference in London on technology and the new securities markets, he told delegates: "We are aware of some firms who do not look as if they will be ready, sometimes because they are dependent on outside suppliers. We are doing what we can to help, advise, cajole, bully or suggest alternative short-term solutions, but at the end of the day there can be no question of delaying Big Bang because some players, however large, are not ready."

The Big Bang in the City of London will mean the end of minimum commissions and single capacity trading. The new broker/dealers are having to install automated equipment in a very short time to ensure their competitiveness.

**Dr Paul Neild,** head of equities at stockbrokers Phillips & Drew, technologically one of the most advanced firms, expressed the fears felt by all the exchange's members when he asked: "How many of these trading systems are going to be ready by October 27?"

**Mr George Hayter,** divisional director of information services at the Stock Exchange, described two new services – Seaq Automatic Execution Facility (Saef) and the Block Order Exposure System (Blox) – due to go live in the autumn of 1987.

Saef, he said, was an automatic small order execution system dealing with trades of up to 1,000 shares. It should generate huge savings for traders.

Typical dealing and settlement costs for each trade in a medium-sized firm were now between £24 ($35) and £30. "It is too early to say what a Saef execution will cost but £2 ought to be achievable," he said.

With the pressure towards greater automation in dealing, only price would differentiate between one dealer and another, **Mr David Victor,** managing director of CAP Financial Services, told the conference. Firms looked for "packaged" solutions – generalised computer systems capable of fast, low-cost installation. In the future, they would be looking for tailor-made software.

**Mr Glen Renfrew,** chief executive of Reuters Holdings, sharply attacked the 5 per cent tax on American Depositary Receipts announced in last month's UK budget. If the tax went ahead it would damage more than the ADR market.

He said efficient information services stimulated international trading volume even if it reduced profits on individual transactions. The efficient dealer gained more from the increased volume than he lost in reduced margins.

**Mr Peter Doney,** joint managing director of Tullett & Tokyo Forex International, the interdealer gilt broker, described his company's screen-based system modified for the UK market from the system used by RMJ, the largest US security brokers.

He said: "Our experience has shown that very few mistakes occur in the transaction of the trade. The majority occur in the confirmation or settlement. We believe that by using our system, most of these time-consuming problems will be eliminated."

**Mr Michael Jenkins,** chief executive of the London International Financial Futures Exchange, described the systems used there and said the exchange had gained by starting late.

These included reliability and responsiveness to change: "When we ran into capacity problems with our matching system recently, we were able to double capacity in a couple of weeks."

**Mr Jack Carrothers,** chief administrative officer for Merrill Lynch Europe, said that in the international equity markets information technology and its delivery systems would be critical resources for companies alongside the already recognised financial and human resources.

But before dynamic systems could replace the present static ones, a revolution had to take place in the way business was done in international equity markets.

## SOUTH KOREA

# A brighter economic outlook

BY STEVEN B. BUTLER IN SEOUL

President Chun (left) and Kim Mahn-Je, deputy Prime Minister.

MR KIM MAHN-JE. South Korea's Deputy Prime Minister for Economic Planning, is smiling a lot in public these days.

The stock market has caught on too. Enthusiastic investors have bid share prices up by over 40 per cent since October, mocking government efforts to cool an "overheated" market.

Throughout Seoul, economists are busily jacking up growth projections for the year, with 7.5 per cent now a conservative choice.

The occasion for this good cheer is a dramatic transformation of the world economy in recent months that could have an historic impact on Korea. A mere quarter-century after economic growth began, Korea now stands to become the first large, diversified economy in the post-colonial world to join the ranks of the industrialised nations—surging forward on the back of cheap oil, lower international interest rates, and the rapid appreciation of the Japanese yen.

President Chun Doo-hwan of South Korea arrived in London yesterday at the start of the first official visit of a Korean head of state to Europe. His visit is an indication that the world recognises how far Korea has come.

However, his country's political system lags far behind the economy. Mr Chun's political situation has become increasingly difficult recently as the challenge to his rule grows more vocal.

The opposition is now riding high on a groundswell of popular support for democratic reform of the constitution to allow for a direct election of the President. Mr Chun has refused to budge, and will not consider a constitutional amendment until after 1988, when he has pledged to step down from office.

Mr Chun rose to power in a military coup in 1980 and has never succeeded in winning widespread support among his people. While the economic recovery hardly solves the President's political problems, it restores an essential element of credibility to the regime.

The brighter outlook means far more for Korea than a few years of good growth. Strong growth will give the country the resources to correct basic structural weaknesses in the economy.

Although it still lies years ahead, the result could be an economy with strength across a range of industries from textiles to automobiles and high-tech electronics. It would also give Korea the resilience to absorb shocks that would now cause severe damage.

It would be a remarkable achievement for a country destroyed in war 35 years ago and left with virtually no natural resources or industry by a tragic national division. Only one generation ago, Korea was locked into severe, stagnant poverty, with a per *capita* GNP in 1962 of only $82.

That year, however, the Government launched the first of a series of economic plans designed to take advantage of the single resource that Korea had in abundance — a people with driving ambition who did not know how to rest and were surprisingly well-educated.

Korea began with high-volume exports of cheap light manufactured goods, mainly textiles, taking advantage of low wages. It has moved on gradually to electronics, shipbuilding, steel, machinery and now automobiles. Since 1962, the economy has expanded by over 8 per cent a year.

The economy nonetheless acquired disturbing structural problems at the end of the last decade resulting from the dual oil price shocks, prolonged high inflation and ill-advised government intervention. These weaknesses made the Korean miracle uncomfortably fragile.

Now after a generation of toil, Korea is receiving a sudden, unexpected and decisive shove forward from the world economy.

This year, for the first time in its history, Korea is expecting a trade surplus. The current account could run in the black by over US$1bn. This, combined with a rising rate of domestic savings, will stop dead in its tracks a worrisome accumulation of foreign debt, which last year reached $46.7bn, the fourth highest among developing nations.

Although Korea's foreign debt has always been manageable, its scale had sharply reduced the policy options available to deal with periods of slow growth, particularly when worldwide demand for Korea's exports slumped. Strong fiscal stimulants ran the risk of increasing the demand for imported goods, widening the current account deficit and forcing the nation to raise more funds abroad.

The arithmetic for renewed optimism is simple. Each $5-a-barrel drop in the import price of oil could lead to a $1.1bn-a-year improvement in the current account, according to the Korea Institute of Economics and Technology. With much of Korea's foreign debt pegged to US prime and Euromarket rates, a one point decline in international rates can save $300m.

The strengthening of the yen should boost Korea's exports to Japan quickly and increase demand for Korean goods that compete with Japan worldwide. This could show up dramatically in consumer electronics and automobiles.

In 1979, Korea's current account deficit suddenly quadrupled to over $4bn and in the next year the economy shrank by 5.2 per cent. For the past five years Korea's economic planners have been picking up the pieces, reining in inflation and trimming back over-invested industrial sectors.

After a unique, prolonged display of restraint that carried a high political price, they have largely succeeded. Inflation has stabilised at under 3 per cent, and the rate of domestic savings has risen from about 21 per cent in 1980 to 28.4 per cent last year.

Yet wringing inflation out of the system took a heavy toll and badly soured relations between the Government and the private sector. Manufacturing investment has been dangerously sluggish, growing at around 5 per cent recently.

The best news is that manufacturing investment could surge ahead by over 40 per cent this year, according to a survey of intentions conducted by the Government. This will supply relief in a key area. Korea can no longer hope to compete internationally on the basis of cheap labour alone. Its wages have risen faster recently than those of competitors in Hong Kong and Taiwan. The higher investment will provide new machines and technology to help raise productivity.

The Deputy Prime Minister is still cautious. "These problems accumulated over two decades," says Mr Kim. "It will take a long time to get over them."

Nonetheless, if Mr Kim and his colleagues eventually succeed, Korea could emerge with a mature economy, genuinely driven by the market. Investment would be financed mainly from internal savings. The industrial structure would have depth, variety, flexibility and resilience. In short, the country would no longer have a developing economy.

Already Korea is of increasing importance in boardrooms around the world, for both the competition and the opportunities it offers in a remarkable range of industries. Foreign investment approvals last year passed $500m for the first time. Direct foreign investment in Korea is likely to play an increasing role as the economy thirsts for technology.

Korea still has a long way to go before it can be accepted as a full citizen of the developed world. Per capita income is still only about $2,000. The economy hides behind a wall of unacceptably high protectionist barriers and intellectual property is poorly protected. The country faces an uncertain political future as the opposition becomes more vocal. For years to come, North Korea will pose a military threat.

Korea is not there yet, but the world economy in recent months has gone remarkably far in clearing obstacles from its path.

# THE MANAGEMENT PAGE: Small Business

William Dawkins reports on financial appraisal

## A consumer test for credit rating agencies

FEW SMALL businessmen worth their salt will sign a contract without first finding out whether the customer can pay.

One relatively quick and convenient way of getting a financial fix on new customers is to use the fast expanding services of Britain's credit checking and company information agencies, which collect data on the financial wealth and payment ability of any business.

As competition between the agencies gets more intense thanks to the arrival of new players and as advances in information technology permit the introduction of new and cheaper credit checking services, the agencies are getting increasingly keen to explore new markets, such as small businesses. Their reports, they argue, can be vital decision-making tools for enterprises too small to do their own credit analysis.

But what is their performance really like? And is it consistent? The FT has endeavoured to find out by asking a selection of credit rating and business information agencies to provide a basic written report on one company, Minimetal Ltd, a once troubled Welsh mechanical engineer now in the throes of recovery. For obvious reasons, the company's name and location have been changed. But all other details of the business, which has been closely examined by the FT, are authentic.

The reports are intended to be only roughly comparable. Two agencies, Infolink and Jordans are in the business of supplying objective information from which businessmen must make their own judgments, while the rest aim to provide full credit assessments. All the agencies were asked to provide something for between £10 and £15 except for one, Trade and Commercial Credit Corporation, which is deliberately included to show what can be obtained by moving up-market.

But even with those provisos in mind, the differences of opinion between the agencies are at first sight startling. Minimetal Ltd and its parent company, Minimetal Holdings, are thought to be good for anything between £10,000 and £90,000. According to one group—ironically the one that advises a £90,000 exposure—Minimetal Ltd might go bust within two years. Another quotes a trade reference suggesting that the company is "trustworthy for normal business engagements," a quite different impression.

On closer examination, the agencies' varying conclusions all appear reasonable based on the different information listed in their reports. Apart from a few minor omissions, none of them strays far from the FT's own knowledge of Minimetal. But in view of their differing interpretations, the basic information the reports contain is probably more useful than the conclusions they draw from it.

One important shortcoming shared by practically all credit reporting agencies is that their views are based on information which can be a year or more out of date. They rely for data on sources like Companies House, court judgments, newspapers or their own customers' records, which are inevitably historic.

That is why none of the reports picks up the fact that Minimetal Ltd's latest unaudited figures for the year to February 1986 show profits up from the most recently published figure of £3,000 in 1984-85 to more than £200,000 pre-tax on turnover increased from £2.5m to nearly £3.5m. This cheering result might easily affect Minimetal's creditworthiness, but could only be discovered if a potential supplier telephoned the chairman. The message here is that credit agencies are convenient and fast, but initiative is needed to get really up to date information.

To be fair to the agencies, the exercise itself has its own shortcomings. For one thing, it is unreasonable to expect all their reports to be the same since they all set themselves slightly different targets.

For another, the prices quoted in the accompanying summaries of the agencies' work are only for one-off inquiries. Most credit agency users are regular subscribers who get discounts of anything from 25 per cent at CCN Systems to 50 per cent or more at Dun & Bradstreet. It is also worth bearing in mind that in these public circumstances, the agencies might well have tried harder than usual.

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*Further information from: Dun & Bradstreet, 26-32 Clifton Street, London EC2P 2LY; CCN Systems, Bridgewater Place, Manchester, M60 4AA; Jordan & Sons, Jordan House, Brunswick Place, London N1 6EE; Credit Ratings, 51 City Road, London EC1Y 1AY; Infocheck, 28 Scrutton Street, London EC2A 4RQ; Trade and Commercial Credit Corporation, 17 Casson Street, London E1 5LA; UAPT Infolink, Coombe Cross, 2/4 South End, Croydon, CR0 1DL.*

infocheck

CCN

INFOLINK

THE contribution from Trade and Commercial Credit Corporation, a small independent credit analyst, is the best of the bunch—and so it should be at £45.50.

For that price, Trade and Commercial supplies a 19-page analysis of the previous four years' accounts, forecasts, background on mechanical engineering, plus a wodge of financial reports and lists of shareholders. But the most important feature of the Trade and Commercial report is that it outlines in detail the relationship between Minimetal Ltd and its more creditworthy holding company, Minimetal Holdings.

Taken on its own, Minimetal Ltd looks superficially as if it could collapse in two years, warns the report. Its credit management is slack; cash flow is inadequate, but profitability is improving thanks to recent management and procedural changes.

However, Trade and Commercial believes Minimetal Ltd should be given the benefit of the doubt. Good for £90,000, it suggests, so long as it can produce a promise of support from the holding group.

DUN & Bradstreet, Britain's largest credit reporting agency, provides the most thorough report after the much pricier offering from Trade and Commercial Credit Corporation.

The D&B report itself might seem a little expensive at £30 (regular subscribers pay less than half that) yet it includes several useful nuggets overlooked by the rest. For a start, it is the only agency to list individual directors' jobs, major customers and to give details of Minimetal Ltd's recent export successes in China and South America.

Moreover, D&B is the only agency to pin its name to a precise sales and profits forecast for the year ending February 1986. Minimetal Ltd actually did much better than D&B's projection of profits up from £3,000 pre-tax to £135,000 on sales up from £2.5m to £3.1m, but at least the direction was right.

Minimetal Ltd achieves a credit score of 57 out of a possible top 100. D & B suggests that it can be trusted with around £10,000, one of the most cautious estimates in the sample.

INFOCHECK, one of the smaller agencies, cautiously suggests a £25,000 credit limit for Minimetal Ltd.

Its two-page report costs from £9 to £15 depending on whether it is delivered in four hours or three days and warns that Minimetal's account needs supervision. Guarantees should be obtained from the holding group — which is not covered by the report— for larger credits, says Infocheck.

The agency gives a basic but pertinent financial analysis, even if, like the rest of the sample, it is based on information a year out of date. Among the points it highlights are a more than doubling in net assets, improved profitability, but debts up from 81 per cent to 152 per cent of shareholders' funds in the year to February 1985. Infocheck fails to mention the name of Minimetal's dynamic chief executive, a well known figure in the sector, likely to be of some comfort to anxious suppliers.

JORDANS does not claim to provide a credit checking service since as a company information group it prides itself on supplying accurate objective data rather than subjective opinions.

Even so, its £13.50 standard business search report looks thin compared with what is available for a similar price elsewhere. Apart from names and addresses of directors, its most useful points include a figure for Minimetal Ltd's secured indebtedness (£95,786) and a mention of the fact that its bank has taken a debenture over all of its assets. Another £4.50 buys a copy of the most recent annual returns and accounts.

Jordan's more basic financial database print-out is better value at £9, which buys a list of directors and summaries of the past three years' accounts. Normally, business customers can expect to receive reports within two days, which is fast for the price.

GUARDIAN Business Information, a division of CCN Systems, warns that while Minimetal Ltd is trustworthy, its account "may require strict management if prompt payments are required."

Its three-page report, costing £13.50, points out that some suppliers have reported delays in settlements of accounts. Guardian does not commit itself to a set credit limit, beyond suggesting that "transactions to low five figures are within scale of trading."

Apart from that, the report contains little that any individual could not discover for himself from the Registrar of Companies, though to be fair to Guardian the report makes this clear by showing prominently where its information came from.

MINIMETAL Ltd should not be trusted with more than £14,400 trade credit, suggests Credit Ratings, a subsidiary of ICC Information Group.

For £15, Credit Ratings provides a three-page report, the most useful feature of which is a list of Minimetal Ltd's credit ratios compared with averages for its sector, a service not included in other reports from the sample in a similar price range. This shows, for instance, that Minimetal Ltd gives more customer credit and borrows more than its competitors, but is still above average when it comes to generating cash. Pay another £15 and Credit Ratings supplies a similar report on the holding company, which it reckons can be trusted up to £64,000.

INFOLINK, run by the United Association for the Protection of Trade, provides a straightforward factual profile that leaves the actual credit judgment up to the reader.

It is, however, the only agency to point out that Minimetal Ltd has been the subject of six finance company searches in the last three years (two in January). This suggests that the company has at least until recently been a marginal enough proposition to warrant close monitoring by other people doing business with it.

Infolink is also the only group in the sample to include a reference from a supplier—favourable — and examine directors' individual creditworthiness, from which it concludes that nothing can be held against them. All this, plus a copy of the latest published accounts for a reasonable £11.75 for delivery in eight days. If the report is needed within two days, it goes up to £58.75, well out of line with the rest.

## Prime's time

THE NEW hand at the helm of the National Federation of Self Employed and Small Businesses is that of 54-year-old Brian Prime, who was elected chairman at the group's recent annual meeting.

His elevation makes him the spokesman for 50,000 small businessmen, representing the largest and possibly most vociferous lobby group of its kind in Britain. Prime, an amateur birdwatcher and painter who runs a £120,000 annual turnover retirement home near Lowestoft, replaces Bernard Juby, who has held the post for three years, the maximum allowed under federation rules.

If Juby leaves the chairmanship with a reputation for being sometimes outspoken, the burly Prime is unlikely to be very different. Like most lobby groups, the federation's policies are decided by committee, but as a former chairman of the group's policy-making board, Prime will no doubt continue to put his stamp on the organisation's opinions.

Since a large number of his members are shopkeepers, he is not unnaturally concerned with multiple retail chains' buying policies. "We are faced with an obnoxious situation of discretionary discounts which are discriminating against small retailers," complains Prime. He claims that a growing number of consumer goods manufacturers are making up for the bulk discounts requested by their big supermarket customers by increasing the prices they charge to small and powerless shopkeepers. The federation plans to produce a paper within the next month outlining the scale of the problem and suggesting solutions.

Prime is also angered by proposals in the Government's Social Security White Paper last December to replace family income supplement with a so-called family credit to be paid through wage packets. This, he argues, "will create a tremendous extra burden for small businessmen."

Another issue dear to Prime's heart is the fact that businesses have to pay tax on profits that are retained for expansion. Such retentions should be tax-free, he argues. "It is unfair that there are plenty of schemes which allow grants for expansion, but small businesses which expand with their own money are penalised."

WD

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# TECHNOLOGY

**Peter Marsh** on how Aer Lingus has diversified into automation

## Set for a change of flight path

ROBOTS could soon become common place in furniture factories, according to the plans of Altek, a small automation company in Cambridge.

Altek, a subsidiary of Aer Lingus, the Irish airline, has set its sights on companies in woodworking, pharmaceuticals and electronics as potential purchasers of its systems.

The company is particularly keen on selling robot systems to place components on printed circuit boards in the electronics industry. The world market for such equipment is put at about £1bn annually.

Another sales area identified by the company concerns what Mr Mike Skidmore, Altek's managing director, calls "precision processing."

Examples include glueing together items in industries such as furniture, toys and shoes; the application of liquid sealants in the engineering industry; and, in the pharmaceuticals business, filling up containers with carefully monitored quantities of liquid.

Aer Lingus decided to set up Altek as part of a move to diversify into other areas besides air transport. The Dublin-based company recruited Mr Skidmore last year from his job as head of European operations for the robot division of Cincinnati Milacron, the US machinery company.

Mr Skidmore, who spent a total of 18 years with the US concern, says that application of glues appears particularly promising for robots.

Frequently, industries which fix items together in this way require the objects to be held in position to extremely tight tolerances. The glue coated onto the items has to be applied in tiny, closely controlled quantities. Such jobs, says Mr Skidmore, are often simply too difficult for humans.

Rather than develop its own robots for these tasks—and for the similarly highly precise business of assembling electronic components—Altek has turned to overseas suppliers.

It plans to sell systems based on robots made by Seiko and Panasonic, two Japanese companies. The robots are capable of very finely controlled movements. The Seiko machine can place an electronic component on a board with an accuracy of a few millionths of a metre.

Altek has concluded another deal with Bosch under which the West German company will provide to its systems a variety of other equipment—transfer machines for example—which feed items to the robots.

The Cambridge concern aims to sell automation systems costing anywhere between £20,000 and £150,000. Of this figure about 70 per cent would represent the cost of the equipment made by Seiko, Panasonic and Bosch, with the rest accounted for by software and systems engineering.

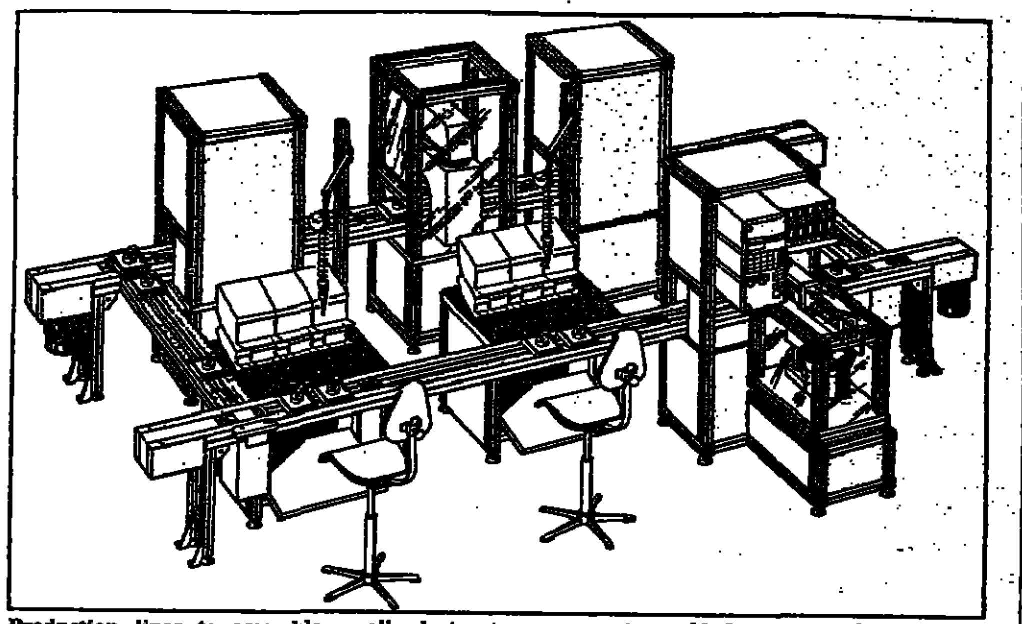
Altek has already sold equipment for electronics assembly to Plessey and AMP, which makes computer terminals. It is talking to the Furniture Industry Research Association in Stevenage about developing systems to glue together bits of wood in furniture factories.

The UK market for robot assembly systems in electronics is put at about £2m yearly, and is growing rapidly. British competitors in this business include Thorn EMI, Rediffusion and VS Engineering (which is owned by Asea of Sweden). Worldwide, selling robots for electronics assembly is dominated by companies such as Sony and Mitsubishi of Japan and Adept and Pentel of the US.

Altek, with a staff of 15, has relatively small ambitions. It hopes to achieve annual sales of £5m within five years. Mr Skidmore believes, however, that only by choosing realistic targets and limiting the market areas to be tackled can automation companies hope to succeed commercially.

In recent years, the automation industry has expanded relatively slowly, with suppliers in the business suffering poor results, at least partly because of the large number of companies offering similar products.

In setting up Altek, Aer Lingus demonstrated that it sees manufacturing automation as an area of long-term growth potential. It already owns Devtec, a Dublin-based consultancy.



Production lines to assemble small electronic components could form part of automation systems sold by Altek of Cambridge

David Oliver, marketing manager, with bottles which have undergone the Vapocure process

## Bottle production of a different hue

BY GEOFFREY CHARLISH

GLASS COATING technology which involves no heat, allows bottle weight to be reduced without loss of strength and permits a wide range of colours and finishes has been developed by Australian company Vapocure.

The coating is also said to be scuff resistant and to minimise fragmentation and dispersion in the event of breakage.

Formulations are not disclosed, but after a pre-treatment and dry-off stage, glass containers are sprayed with the coating material which can also contain a pigment. They pass to a chamber where a catalyst permeates the wet film, causing rapid polymerisation. A post-curing chamber completes the process.

So now, glass container manufacturers need produce clear (flint) glass only and then apply a wide range of colours and finishes at the cold end of the process. This eliminates costly furnace shutdowns to change the glass colour.

The system is protected by international patents and the Australian company proposes to appoint a single franchisee to exploit the process world-wide with bottle makers. Vapocure is in Sydney on (02) 922 2700.

## Good reconnaissance is key to learning from the screen

Video & Film

BY JOHN CHITTOCK

IN ANY process of communication—films, television, lectures, written articles—there is one almost immutable law recognised by the best professionals. It says something like "success is directly proportional to the amount of time spent on research." Or, as the font of all management wisdom—the army manual — says, "time spent on reconnaissance is seldom time wasted."

Those who try to live by this philosophy have always suffered, however, two problems. Knowing where to look for information. And finding ways of accessing it quickly and efficiently.

The arrival of video and the microcomputer have promised a solution to the second problem and with the marriage of the two in interactive video systems, the potential is staggering.

Yet all of these technologies are software led, whether simply the older ones of audio-visual media or their newer electronic counterparts in information technology. And finding the software, films or programmes—knowing where to look for them—is still a headache.

For the diligent businessman departing on a mission to China; the scientist wanting video material of satellite weather patterns; the urban planner researching new environmental problems, such subjects are extensively covered on film or video, and there are literally hundreds of specialist catalogues available to signpost the way. But how do you find the catalogues?

Recognising this fundamental problem the British Universities Film and Video Council published in 1983 a catalogue of catalogues. The third edition just issued — *The BUFVC Distributors Index*—now lists 470 sources under 97 subject headings (including China, meteorology and environmental studies). The Council also operates a viewdata system for accessing specific films or programmes, which was undefeated when I once challenged it to find material on corneal graft surgery.

The old-fashioned skills of the indexer can make or break such systems, however, as anyone who uses Ceefax and Oracle might confirm. On Ceefax, building society rates elude me, although I am sure I found them there once; and Oracle users who turn up ITV's index are denied the essential number for finding the second index on Channel Four which carries information specific to that channel.

At least as the delivery systems proliferate, the user with specialist interests has more chance of being served. Such is the intention with cable television, Britain's white hope of information technology—still struggling with a mere 127,481 subscribers, yet offering channels devoted to children, the arts, sport, so-called "lifestyle" (health, to hobbies), even for some viewers programmes from Italy, France, Belgium and Switzerland.

Meanwhile, the BBC continues its gallant efforts in keeping the English language alive in foreign countries, announcing last month its new programmes in the continuing BBC English project. This language teaching scheme embraces not only radio and TV, but video programmes and multi-media packages—including a course (jointly with *The Economist*) on financial English.

There are, however, some users of information technology who cannot read, listen, or see. As long as they have at least one facility of the senses, help is available—such as audio-cassettes for the blind, TV-enhancement systems for the partly-sighted (to provide magnification of small print to assist in reading) and of course teletext sub-titles for the hard-of-hearing TV viewer.

Another idea, especially tailored to the handicapped who have specialist needs, is a viewdata service funded by the Department of Trade and Industry. Under the name Handicapped and Aged Benefiting from Information Technology (HABIT), it is providing Prestel terminals at little or no cost as well as its own Prestel data base—with a magizine of news and features (some designed for users with low literacy levels) a reference section mainly about local welfare facilities, even an interactive ticket ordering and library book service.

Words without pictures on a television screen do have their shortcomings in this visual age, and the college where HABIT is based—Bulmershe in Reading—happens to be one of a number selected for a new interactive video project in schools. Also funded by the Department of Trade and Industry, this is exploring ways of utilising interactive video within the school curriculum.

The possibilities are considerable, stimulated by the forthcoming BBC Domesday book on video discs, which in turn has encouraged Philips—in their recent annual report—to anticipate the sale of 10,000 Laservision systems to UK educational establishments.

The Interactive Video in Schools Project has selected seven schemes through which will be produced a basic portfolio of video discs for use and evaluation in education. In subjects they range from a geography project at Loughborough University to a teacher training package being produced at Moray House in Edinburgh.

It is perhaps ironical that the audience for these programmes may well exceed in number the 127,000 subscribers to cable TV in Britain, raising again a question mark over the nation's strategy in information technology. The British have always excelled in programme production, especially with factual and specialist material, but the Americans — and more recently the French—seem better in distribution and exploitation.

The army could again teach decision-makers a thing or two in this situation. Much of the pioneering in using interactive video has occurred in the US army, which recently revealed a five-year plan to install 17,800 systems. But when it comes to making films, no branch of the American armed forces could match the quality of output the British have achieved over the past 50 years.

Faced with dilemmas about investment in the future, Britain should exploit this prowess in production. The army manual says it all—"reinforce success". And, for the investors in cable TV, DBS and other IT systems—"if in doubt, stand still."



طبق الأصل

# THE ARTS

## New Spanish Art/William Packer

# Home thoughts from painters abroad

The two exhibitions of contemporary Spanish painting and sculpture that have opened in London and Oxford are fruits of separate initiatives by the galleries concerned but are so directly complementary that to see the one is at least to feel the need to see the other.

*Dobles Figuras*, at the Museum of Modern Art in Oxford (until May 18), gives a limited retrospective opportunity to two senior painters, Antonio Saura and Eduardo Arroyo, with two younger painters, Miguel Barceló and José María Sicilia, showing only their more recent work. All four live and work abroad, young and old pointing the nice distinction between choice and exile.

At the Serpentine Gallery in Kensington Gardens (until May 11), the Arts Council is showing the work of three artists, each from a different city: two sculptors, Susana Solano from Barcelona and Miquel Navarro from Valencia, and Sicilia again, the only painter and the link between the shows, to represent Madrid.

Both exhibitions have been helped by the Spanish ministries of Culture and Foreign Affairs and the British Visiting Arts Unit, and both are sponsored by the Spanish company, *Quorum de Puig*. In addition, the Oxford show's catalogue has been sponsored by the oil company Petromed. All in all, therefore, what with following so hard upon the Arts Council's own recent Homage to Barcelona at the Hayward Gallery, and the coming state visit to Britain of the King and Queen of Spain, there is to these related exercises a decided whiff of the official and the opportune.

But they are none the worse for that, for there is nothing of compromise in either exhibition. Both these shows are small, rigorously pared down and elegantly shown, the work serious and hardly chosen to court an easy popularity.

A detail from Eduardo Arroyo's Noche Espanola

Spain is a special case and likely to remain so for some time yet, still working to re-establish herself with a proper security and assurance after some 40 years cultural and political isolation from the mainstream of international affairs. Four of the six artists celebrated together in these shows as so essentially Spanish are still, for whatever reason, expatriate, the two older men only now reforging their working links with home after their long equivocal absence in which they achieved their artistic maturity. Whether or not we make special allowance for the work, we can sympathise with the effort and intention behind the presentation.

Sicilia has lately lived and worked in New York, Barceló, Arroyo and Saura in Paris, Solano and Navarro in Spain and their work shown abroad. Taken individually, that work is as good and interesting as the case may be, serious and professional and engaged to the full with contemporary preoccupations and sensibilities. But only by bringing their work to London and Oxford to declare themselves collectively as Spanish, do these artists force upon us the questions: why have we seen so little before; and when can we see more?

Of the four painters, Arroyo and Saura, the one nearly 50, the other nearer 60, are the more directly Spanish in their imagery. With both of them, surrealism, which drew such a charge from Spain between the wars, lies close to the surface, but much tempered by other more recent influences. Arroyo's work is a knowing and elegant, often very funny version of pop art, more British in its sympathies than American, full of art historical jokes and side-long glances, now to Magritte, now to Kitaj, Caulfield, early Hockney, yet never dependent on any of them.

Saura moves from a near abstract expressionism in the 1960s to something more figurative and obviously surrealist by the late 1970s, by which time he is reworking the fractured and weeping female heads and portraits of Picasso of his surreal expressionist period of the 1930s, but with a freedom and expansive vigour that recalls not only Picasso's last great period in the 1960s but also Appel and Bubuffet.

Both younger painters are expressionist, and though both are now working to keep their distance, both are closely identifiable with the New Wave of figurative expressionism. Barceló indeed enters a vocal disclaimer, which is rather belied by the work itself. His huge canvasses, with their dense and thickly encrusted surfaces in sombre greys and echres carry their images of beached boats, figures on the shore and views high across the bay with a curious wry charm and finesse, the lugubrious *Poet's Dog* in its kennel high above a winter sea entirely characteristic. As for Sicilia, at Oxford he shows his more recent work which is multipanelled, asymmetric and is clearly moving towards abstraction. His work at the Serpentine, large canvasses of roofscape and rudimentary still-life places him more firmly with his own generation.

Of the sculptors, Navarro shows a single work, *The City*, an installation of discrete and dispersed elements that might be a maquette for an ideal city, which takes up one gallery to itself and is more interesting than convincing. Much more impressive is the work of Susana Solano which, though so simple in its physical statement —bare, stepped shapes and blocks of beaten and welded iron—has an authentic monumental presence, that intrigues the imagination and stays in the mind.

## Bolshoy Ballet/Vienna State Opera

**Clement Crisp**

"What on earth are we doing?" I asked my distinguished colleague and friend, Mary Clarke, "sitting in the Vienna State Opera House at 11 in the morning on Easter Day, watching *Raymonda*?" "Enjoying ourselves," was the succinct and wholly true reply, for there is little more exhilarating than the sight of the Bolshoy's dancers moving with splendid panache through the rituals established by Petipa and Glazunov, lately revised by Yury Grigorovich for his company.

Outside in the city the bells were ringing, the churches bright with their baroque gilding and Easter-tide flowers. Inside the opera house the cohorts of the Bolshoy Ballet were deployed in a work which suits them, I would hazard, as well as any other classic, since the boldness of their style and manner can fill out the nonsense of *Raymonda*'s non-plot with a fine bravado, defying us not to believe in Hungarians in Provence, Crusader heroes, Saracen villainy. (There is even the presence of King Andrew II of Hungary, best remembered for having bought, as sacred relics, the wine jars used at the Wedding at Cana).

*Raymonda*'s third act was followed by a divertissement of familiar gala numbers: a *Corsaire* duet brought mechanical complacency from Nadezhda Pavlova, though Andris Liepa was a brilliant slave at her feet; the big waltz from *Les Sylphides* united Tatiana Golikova and Mikhail Gabovich; *Spring Waters* surged impetuously over us with Marina Nudzha caught in the stalwart arms of Mikhail Sharkin; the Arab Dance from *Nutcracker* (Hindu in Grigorovich's version) is the best realisation of the music that I know, and well done by Yelena Radchenko and *Alexander Valuyev*, while Mikhail Zivin brought off a splendidly controlled and heroic account of Solor's variation from *Bayadère*'s Shades scene.

Two items, though, merited special attention. In a duet from Gorsky's recension of *La Fille mal gardée* the company introduced an exceptional young (just 20 years old) male virtuoso, Vladimir Lyakin. Fine-boned, slender, he is a "teacher's pet" of an artist, cutting every step cleanly, blessed with lightness, elevation, and that academic purity which dancers strive for but rarely achieve. In this predictable *Fille* variations he showed a buoyancy, a physical sweetness of manner, that were of great charm, and that he is capable of much more was seen on the next day in *The Golden Age* when, as a sailor, he raced over the stage like an Olympic champion.

*Raymonda*'s combination of national dance classicised and classic dance given a tint of nationalism is irresistibly done by the Bolshoy. By Alla Mikhalchenko as an elegant heroine (with no vulgar hand-claps in her solo); by Andris Liepa (son of Maris Liepa) as a powerfully virtuosic Jean de Brienne; and by a group of soloists to whom national dancing is a grand challenge and classic dance the very grain of their art. They speak both languages easily, nobly, with Agnessa Baliyeva a *wonderful leader of the Hungarian* Dance, and four young lions among the men to rejoice in every demand of the celebrated male quartet. I must note in passing that the ringing account of the score—how essential the presence of the Bolshoy's orchestra to an understanding of the dancers' vigour and musical sensitivity—was conducted by Alexander Lavreniuk. Balletgoers remembering that name may care to know that on his retirement from dancing Lavreniuk took up a conducting career and led performances in Vienna of sterling vitality and musical worth.

Another rare moment came with Lyudmila Semenyaka's account of *The Dying Swan*. Beautiful in restraint of means *and decorum, this dance* — which some Soviet ballerinas have turned into a wrestling bout with an unplucked turkey, the stage a maelstrom of feathers and flailing limbs — acquired again its lyric simplicity and intensity of poetry.

The morning ended with the second act of *Spartacus*, boiling with triumphant slaves, rebellion, Roman orgy, and that emotional abandon which guides movement and mood. Yury Vasiuchenko was a sound, credible Spartacus; Natalya Bessmertnova the supreme embodiment of Phrygia's devotion (Bessmertnova is the perfect *Grigorovich heroine*, never more so than as the Rita of *The Golden Age* in which her thrillingly expressive physique is both witty and lyrically pure); and Nina Semizorova has assumed the guile and glamour of Aegina, a role she draws with a cutting edge of technical prowess. The Crassus, Alexey Lazarev, I thought lacking in the arrogant physicality so necessary for the role. For *the legions of slaves and the* Roman *beau monde*, the Bolshoy's interpretations retain that vehement energy which impels our belief and identification with the drama. Therein lies the greatness of the Bolshoy style: its passion to communicate as well as to perform.

## Kátya Kabanová/Berlin

**Richard Fairman**

Not many operas can survive on a few drapes and a bare expanse of stage. But the works of Janácek have so strong a backbone of human drama that it is quite possible for a performance to strip away the usual trappings of an opera house setting and still succeed, as long as it is true to that emotional core.

For this new production of *Kátya Kabanová* the Berlin team of Günter Krämer and Andreas Reinhardt, producer and designer, have done just that. They have put the opera firmly and without apology in the world of the modern straight theatre, served by sets of an often brutal simplicity. Apart from the end of the second act, when they suffuse the stage with the blue *haze of* a starlit night for the love duets, the poetry is left to the music and they keep their minds on the drama.

To sharpen our focus the stage is, in effect, *divided*. While the townspeople, a severe and formally-dressed crowd, keep up an ever-watchful presence at the back, peering through gauze curtains or *frosted* glass, the nearest area is reserved for Katya alone. In the opening bars she is caught in the glare of a floodlight that cuts across the stage and from there to the end of the opera nobody else is allowed to divert attention from her.

The production aims to explore the pressures on Katya in detail. At the end of the first act, when Tichon leaves her to the mercies of her formidable mother-in-law, she *is made to* change her simple white dress for the regulation black smock and head-covering. And later, when she is alone, we find her locked in a prison of darkness, feeling her way along the walls *for* a means of escape.

To all this Karan Armstrong responded with a charge of nervous energy. *She is, perhaps,* too strongly-driven and positive *in her reactions* to make an ideal Katya—it was the very fragility of the character that drew Janácek to the story in the first place—but as a woman driven to breaking-point her portrayal came across with great intensity. The last scene with her suicide, stark and unsentimental, made a fitting climax.

She makes heavy work of the vocal writing at times, but then several of the other singers also had difficulty getting over the orchestra. Patricia Johnson was the most successful as a restrained, but wholly domineering Kabanicha, and she had an ideally downtrodden son Tichon in William Cochran. Stephen Algie was a vocally ungainly Boris; but Ruthild Engert and William Pell were lively as the secondary pair, Varvara and Kudrjas. The relationships were often more naturally drawn than in ENO's highly-praised revival *earlier* in the season.

The conductor was Jiri Kout, who led the orchestra into some full-blown tuttis, horns to the fore, all *a bit* much for the singers. *But then it was not for* the music that the evening had its strength. Its greatest impact came in the cumulative dramatic power of the last scene: Armstrong's Katya, drenched with rain, wandering through the marshes and finally peering into a pit of despair. It will remain long in the memory.

## Florakören, Brahe Djäknar/St John's, Smith Square

**Paul Driver**

The male chorus Brahe Djäknar and female chorus Florakören, which consist of university students from Abo Akademi in Finland, have been touring northern Europe under their conductor, the composer Gottfrid Gräsbeck, and on Saturday night paid a visit to St John's, Smith Square. They divided their programme into five sections, and went through *20 items*.

First a quartet of Scandinavian salutes: Sibelius's *Finlandia*, of course, which did not arouse the choristers to undue passion and even sounded *slightly tepid*; *Niels Gade's Morgensang*, Oskar Lindberg's *Pingst*, and Grieg's beautiful *Ave Maris Stella*. The impression was of a sensible and diligent ensemble of singers rather than of anything more searing or distinguished. The conductor had the irritating habit of banging out mming notes on the piano before each piece, which generated the atmosphere of a rehearsal.

In the next group, Bruckner's *Ave Maria* fared quite well, and a moderately extended Amen setting by the Polish composer Górecki proved adventurous and absorbing. In the third group—given over to male chorus—Britten's *Ballad of Little Musgrave and Lady Barnard*, perhaps his worst piece, came over lugubriously, and so did the two movements offered of Finnish doyen, Erik Bergman's *Tipitaka Suite*: darkly, muddily dissonant music whose continuation (prevented by the illness of the bass soloist) I wasn't sorry to forgo. But satisfactions came from an *impassioned Pushkin setting* by Chaikovsky, *Who has stilled the voice of mirth?*, of which this spirited rendering may have been the British première, and from Gräsbeck's arrangement of the *Säkkijärven Polka*, complete with trumpet *obbligato*.

The ladies alone gave one of Verdi's Four Sacred Pieces and some delicate, highly unfamiliar miniatures. When the full choir reassembled, it was to perform Sibelius's three *Rakastava* settings and thus to provide the evening's completely moving moments.

## Dorati's Beethoven/Festival Hall

**Dominic Gill**

Antal Dorati's Beethoven cycle with the Royal Philharmonic Orchestra finishes tomorrow, Wednesday—the day of his eightieth birthday—with the Emperor Concerto and the Ninth Symphony. In my experience, Dorati is by and large an uncommonly genial Beethovenian: urbane, unidiosyncratic, precise, thoughtful, a worthy middle-of-the-road interpreter whose performances unfold with remarkable smoothness and consistency, but offer few surprises.

From time to time, though, the commanding virtues of energy and clarity in Dorati's conducting take the centre of the stage (even at 80, his direction and bearing still have the vitality of a man many years younger). At Friday's concert — the penultimate of the cycle —the seventh symphony and the first piano concerto were illuminated by a wonderful conciseness and energy on nearly every page. There was nothing exceptionally original or surprising, from the orchestral point of view, about either performance: but Dorati had the RPO, playing at the very peak of their form, on the tip of his baton throughout the evening, and he kept them there from first to last.

The soloist in the concerto was Radu Lupu, whose playing seems to gain in calm and confidence with every new season. It was a performance of the utmost subtlety, delicacy and restraint buoyant with good humour, exquisitely detailed. I loved the first movement's basic proposition—confrontation and contrast between laconic, almost poker-faced delivery and sudden visions melting, irresistible lyrical warmth. The finale was full of quick sleight of hand, not sly but quirky, mixed with a joyful radiance that embraced every return of the theme.

It was not an electrifying seventh symphony which Dorati conducted, or even one of the highest drama; but he brought such a bloom to the RPO's sound, and such fine, easy pointing to the mesh of instrumental voices, that the experience was never dull. The final allegro was a blaze of energy, not frenetic at all as it sometimes can be, but large-boned, large-scale, driven with unrelenting momentum.

## Annie Fischer/Elizabeth Hall

**Andrew Clements**

Miss Fischer's most recent visits to London have concentrated upon Beethoven, including a most memorable series of concerts devoted to the composer in 1984. On Sunday afternoon, however, Beethoven was only the beginning of her programme, which thereafter took her into the heights of the romantic repertory with Schumann's *Kreisleriana* and Liszt's B minor Sonata. Her virtues have been hymned persistently on this page in recent years, and on this occasion one found them quietly demonstrated in Beethoven's Op. 27 No. 1 sonata and then tested more combatively in the works that followed.

The Beethoven was not, in the light of what was to follow, entirely settled; the scherzo swirled and bumped a little, only gained its poise when the slow movement was reached, its opening statement underpinned with slightly brittle left-hand pedals, and the finale exploded with exuberance that seemed only just to be confined. *Kreisleriana* then emerged as an extrapolation of the same sound world, the keyboard coloration mellow rather than brightly painted, the emphasis on the thematic integration of the work taking precedence over its quixotic mood changes.

Listening to Miss Fischer at her best is as rewarding and reassuring as hearing an enormously sensitive *Lieder* singer at the height of their powers: the weight of each phrase is perfectly assessed, its sense and direction unfaltering. Every element is fitted exactly into place, so that in *Kreisleriana* for instance the structure of each number was absolutely natural, the poetic ideas—a rapt ending to No 2, eloquently savoured low-register harmonies in the fourth—emerging in a context that was never artificial nor stage-managed.

The warm tone that spread through Schumann brought to the Liszt sonata a richness of texture which cut across the more common conception of the work that favours tense, lean drama, and stark dynamic contrasts. But Miss Fischer kept the tension going unfailingly, moulding it into climaxes of unabashed grandeur, and launched the fugue with passage work that seemed to fuel itself quite unstoppably. Equally eloquent, though, were the lyrical passages, the delicately spread chords at the end of the second section, and the closing bars of the sonata, to yield an unusually satisfying and comprehensive view to a work that so easily encourages high-octane brilliance for its own sake.

## Crosse's new trio/Wigmore Hall

**David Murray**

Gordon Crosse's new Piano Trio was commissioned by the young, all-female Hartley Trio with Arts Council funds, and premiered on Friday as the centrepiece of a Hartley concert. Crosse has not been much in the public (or even the specialist) ear of late, but the new Trio shows that his recent preoccupations are still present and alive.

Its two movements, overtly related and in effect continuous, extend Crosse's interest in building music from *ostinato* material, basic phrases piled up in different sizes and colours. The bell-like pedals of the first movement, and its variously repetitive superstructure, reach back as far as his *Changes*. Bartók, who has surfaced in later Crosse music, presides benevolently over the Rondo: added-step rhythms, and an earthy drive toward short, sharp climaxes. As it proceeds, the Rondo echoes more and more the modal shapes and longer sonorities of the first movement, and comes to rest among them.

The Trio requires a keen feeling of on-the-spot investigation, of experiments conducted with alert ears. The Hartley team rose to that loyally; their other pieces sounded bland by comparison, as if they were striving toward ideally respectable performances without actually listening to each other. In Dvorak's B-flat Trio nothing was out of line, but the fraternal good cheer of the music was compromised by a stiff, overbearing piano—the strings were reduced to the status of wanly pleading partners. Balance was a little better in Beethoven's "Archduke" Trio, but no passage suggested that the Hartley players were anywhere near ready to measure the expansive scale of the work. Its stately drama presupposes a kind of grandeur in the main gestures; the Hartley version was mild, slow-moving and terribly ladylike.



# Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

## Opera and Ballet

April 4-10

### PARIS

**Prokofiev's War and Peace** produced by the National Opera from Sofia, Théâtre Des Champs Elysées (47234777).

**La Traviata** alternates with Soirée Maurice Bejart at the Paris Opera Ravel's L'Heure Espagnole, a one-act musical comedy full of Spanish rhythm, is completed by Puccini's Gianni Schicchi, a one-act opera full of verve and humour. Opéra Comique (42960611)

**Sankai Juku** choreographed by Ushio Amagatsu, creates a shock with often disturbing and cruel images of the Buto dance. Théâtre de la Ville (42742277).

### BRUSSELS

**Cirque Royale:** The Merry Widow conducted by Christoph von Dohnanyi with Anje Silja, soprano. (218 2015)

### LONDON

**Royal Opera, Covent Garden:** Rossini's Semiramide, in a concert performance conducted by Henry Lewis, joins the heavily criticised but potentially rewarding Fliegende Holländer and the solid looking revival of Arabella in the repertory. (240 1066)

**English National Opera, Coliseum:** Reginald Goodall's last performances of Parsifal in this run, otherwise an evening of dramatic disappointments. The Merry Widow continues to draw the crowds, now in a revised staging by Ian Judge, while there is a return of Elijah Moshinsky's exuberant Bartered Bride. (8363161)

### WEST GERMANY

**Berlin, Deutsche Oper:** Katja Kabanowa has Karen Armstrong in the title role. Bernd Alois Zimmermann's Die Soldaten, produced by Hans Neuenfels, returns. Don Giovanni brings Cheryl Studer, Pilar Lorengar, Barbara Vogel and Lenus Carlson together. Macbeth has Thomas Fulton as guest conductor.

**Hamburg, Staatsoper:** Zar und Zimmermann is a well done repertoire performance. Der fliegende Holländer has Sophia Larson and Robert Halesleads. This week's highlight is Manon Lescaut starring Natalia Troitskaja and Franco Bonisolli.

**Frankfurt, Opera:** Don Pasquale has fine interpretations by Barbara Bonney as Norina and Bodo Schwanbeck in the title role. Der Freischütz, offered for the last time this season, has Walter Raffeiner, Beatrice Nichoff, Barbara Bonney and Manfred Schenk. La Bohème with Yoko Watanabe and Giacomo Aragall is an event of more than passing interest.

**München, Bayerische Staatsoper:** Manon, a Jean Pierre-Ponnelle production, is perfectly cast with Edita Guberova and Alberto Cupido. Fidelio features Sabine Hass, Julie Kaufmann, James King and Kurt Moll. Der fliegende Holländer has Robert Schunk in the title role beside Astrid Varnay and Lisbeth Balslev.

### NETHERLANDS

**Amsterdam, Stadsschouwburg.** Netherlands Opera with the Italian section of the CIVIL warS by Philip Glass and Robert Wilson, directed by Robert Wilson. The Netherlands Philharmonic under Lucas Vis, and the Netherlands Chamber Choir conducted by Siebe Riedstra. (242311)

### ITALY

**Milano:** Teatro Alla Scala: Slightly sleepy production of Bellini's La Sonnambula, conducted by Gianandrea Gavazzeni and directed by the film director, Ermanno Olmi. The young American soprano June Anderson makes a successful Scala debut as Amina and Patricia Pace is a splendid Lisa. Susan Lake, directed by Franco Zeffirelli, with choreography by Rosella Hightower. Michel Sasson conducts and the cast includes Carla Fracci, Dominique Khalfouni and Jean Charles Gil. (809126).

**Rome:** Teatro dell'Opera: Herodiade by Jules Massenet conducted by Gianluigi Gelmetti and directed by Alberto Fassini with a cast which includes Agnes Baltsa, Montserrat Caballé, José Carreras and Juan Pons. (461755)

**Trieste:** Teatro Comunale Giuseppe Verdi: Un Ballo in Maschera, directed by Alberto Fassini with Adriana Morelli, Stella Silva and Carlo Cossutta (631948).

### NEW YORK

**Metropolitan Opera (Opera House):** The week features the first seasonal performance of Parsifal conducted by James Levine with Leonie Rysanek and Peter Hofmann, joining the repertory of Don Carlo with Mara Zampieri; Aida conducted by James Levine with Anna Tomowa-Sintow and Luciano Pavarotti; Sir Peter Hall's production of Carmen also conducted by James Levine with Maria Ewing in the title role, Catherine Malfitano as Micaela and Placido Domingo as Don José; and the last performance of the season of Der Rosenkavalier with Tatiana Troyanos. Lincoln Center (362 6000)

**Joffrey Ballet /(NY State Theater):** The spring season includes two full-evening performances, Romeo and Juliet and The Taming of the Shrew, four one-act premieres and 14 repertory favorites including Offenbach in the Underworld, Forgotten Land, and Rodeo. Ends April 20. (870 5570)

### WASHINGTON

**American Ballet Theatre (Opera House):** National tour includes from the company repertory Don Quixote, Romeo and Juliet, Giselle and The Nutcracker. Ends April 20. Kennedy Center (254 3770)

## Saleroom/Antony Thorncroft

# The dealers win again

Once again taxpayers' money has gone to *line the pockets of* a London dealer, in this case Armitage Antiques. This follows the successful purchase by the British Museum of the Portland font, made in gold in 1797 by Paul Storr to christen offspring of the Dukes of Portland. It will go on view at the Museum today.

Lady Anne Bentinck, daughter of the seventh Duke, sold the font, through Christie's, last June, and it was bought by Armitage for £950,400. Not surprisingly the Minister for the Arts placed a seven-months stop on an export licence for this rare and precious object, *giving a British museum, or gal*lery, that amount of time to match the auction price.

Thanks to a £900,000 contribution from the National Heritage Memorial Fund the British *Museum, which has an excellent* collection of gold and silver objects, has been able to raise the money. But it has actually had to pay £1,275,000, the difference being the dealer's profit *margin: presumably Armitage* had an overseas buyer who was prepared to pay the higher price.

If the Portland family had sold the font to the British Museum through a private treaty sale the museum might have paid less, and the family received more, because of a tax advantage. Last year the Government announced improved arrangements for the acceptance of works of art in lieu of tax: important items are *eligible for calls on the Public* Expenditure Reserve, up to an estimated, but variable total limit of £12m a year.

These new arrangements have just been called upon for the *first time in the acquisition for* the nation of the papers of the Dukes of Portland and of Newcastle, many of which deal with aspects of British foreign policy from the 17th to the 19th centuries. The papers will be placed in a public archive. So it seems that the Portland family have belatedly come round to the advantages of private dealings, rather than the hit-and-miss experience of an auction sale.

Phillips held an auction of Victorian drawings and watercolours yesterday, currently one of the strongest saleroom markets. It totalled £143,110, with only 5 per cent unsold. Top price was a pastoral scene of a shepherd and his flock by Myles Burket Foster which beat its top estimate at £11,800, to Berkeley. A watercolour of an elf surrounded by flowers, by Eleanor Fortesque - Brickdale, also beat its top forecast at £7,000, to Hartnol.

Six comic drawings by Heath Robinson went to Beetles for £1,600. They had been recently uncovered by a descendant of the artist in store, and affected by water staining. One dated 1917, referring to the construction of the Channel Tunnel, sold for £750.

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Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Tuesday April 8 1986

# Prescription for Japan

MR YASUHIRO NAKASONE, the Japanese Prime Minister, was yesterday presented with a report which, for good or for ill, has become one of the planks of his country's economic diplomacy in the run-up to next month's economic summit in Tokyo. It was the work of a commission appointed in October last year to examine, and suggest ways of correcting, the structural reasons why Japan has such a large trade surplus with the rest of the world.

The brief was imaginative. It seemed to address a pervasive Western hunch — that beyond Japanese industrial excellence, which the rest of the world has to accept, compete with and try to enjoy, and beyond simple protectionism, which must be identified and tackled, there is something basic and structural about the Japanese economy which makes it export-prone and import-shy, something intrinsically unfair about Japan as a trading partner.

Unfortunately the brief, and the public build-up to its results, have backfired. The Maekawa Commission took five months, 19 meetings and 14 drafting sessions to produce a report: the hard slog of the *consensus building shows all too* clearly. The report starts with dramatic assertions of Japan's need to make a "historical transformation in its traditional policies on economic management and in the nation's lifestyle." But the analysis of why Japan has been forced into this act of self-chastisement is disappointing. Many of the detailed recommendations are woolly and old-hat to anyone who has followed Japan's gradual moves towards "liberalisation" over the past two years.

One problem with the report is its failure to deal adequately with micro-economic reforms. It does not mention government procurement, one area where the Government can very visibly *promote the cause of imports*. The commission does not examine the possibility that it is hard for an outsider to become a sub-contractor in Japan, nor that the "keiretsu" system of mutually supporting groups of Japanese companies is hard to penetrate. It makes vague assertions that the distribution system needs "streamlining" but it does not say whether or why this system might be part of the problem.

At the macro-economic level the commission is more adventurous. It states flatly that the Government must remove the fiscal encouragement of Japanese savings—a move we have long urged. It says there should be tax breaks for house buyers and house builders, and that there should be a reduction of working hours to give the Japanese worker less time to produce and more time to spend.

But here again the conservative pressures at work within the commission show through. The group accepts that the government's fiscal policy of aiming to eliminate the need to issue deficit-financing bonds is justified. But it does not tell the rest of the world why. It says, in pure communiqué-speak, that the Government should promote agricultural policies "befitting an age of internationalisation." But it equally asserts that basic farm products should be exempt from a steady increase in imports.

### *Imprimatur*

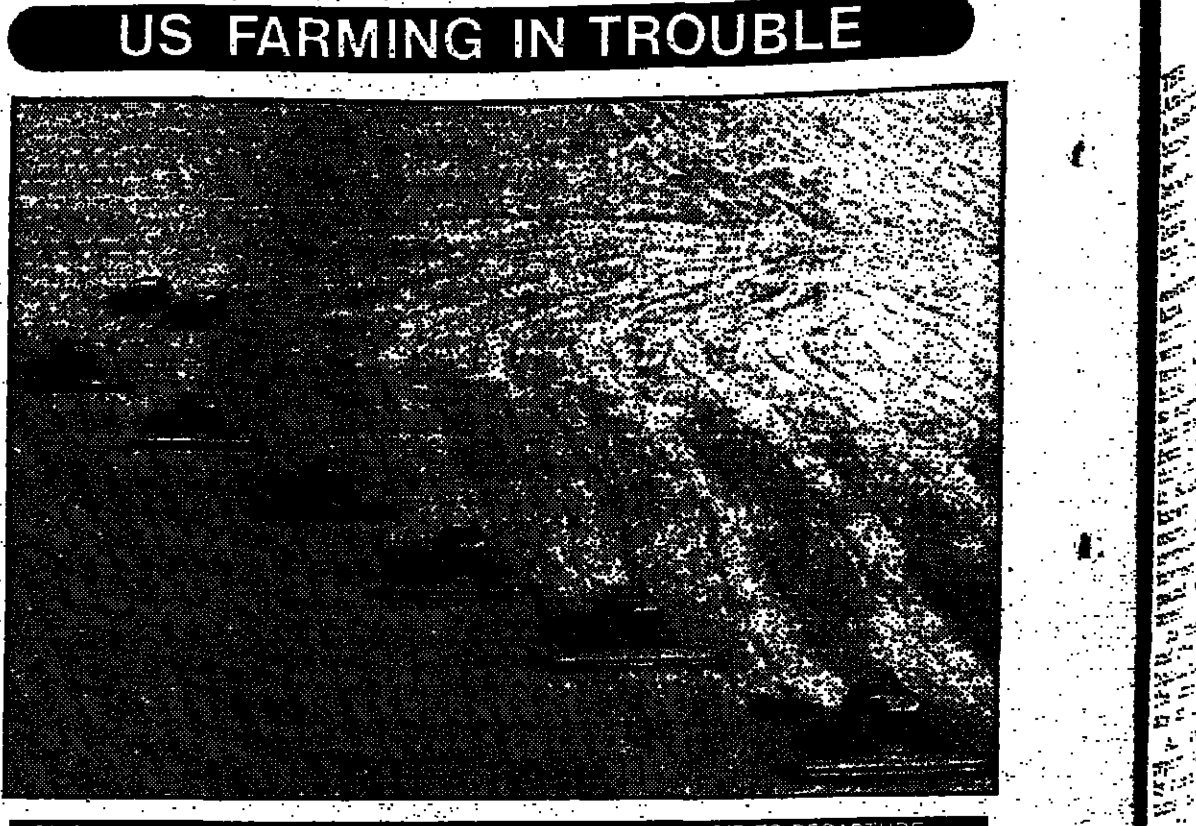
The Maekawa Report, therefore, fits squarely into the series of Japanese reports, action packages, emergency programmes and the high-level discussions that have gone before it. The problem of Japan's trade imbalance is readily admitted, but the solutions only creep into view both because Japan's industry is so intrinsically competitive and because a long ingrained political consensus, way of economic life and bureaucratic attitude prove so hard to change.

There are two more positive points to be made about the findings of this commission. The internal dissent that has so clearly blunted its specific recommendations shows what vested interests Prime Minister Nakasone is up against as he tries to make his country aware of the responsibilities that tend to come with economic success. If he can persuade his Cabinet to endorse it this report will give a political imprimatur to some emphatically stated ends, even if the means remain vague. The report will provide Japan's trading partners with a new fulcrum of stated aims on which to lever away at practices which seemed to belie them.

Furthermore, the report implicitly endorses the move towards a more realistic yen exchange rate than has taken place since it was commissioned. A 25 per cent adjustment in Japan's competitive handicap means that its export industry is moving into unknown waters just as this month's report and next month's summit pass their judgments on the results of a cheap yen era born of expensive oil.

# First shots in a costly farm war

By Andrew Gowers




AFTER YEARS of threatening postures, US anxiety over its mounting farm trade problems have finally turned into action.

Last week's decision by the US to raise tariffs and quotas against some European farm exports in retaliation against alleged restrictions on American sales in Europe since Spain and Portugal joined the community was but the latest example. The EEC, regarded by almost all US agricultural policymakers and farmers as the principal sources of their woes, responded by threatening another tit-for-tat retaliation.

Disputes are also simmering about a range of issues from wheat export subsidies to meat hygiene to citrus tariffs. In such cases the US—as part of its "fair trade" policy—is showing mounting reluctance to surrender markets where its position has been weakened as a result of distortions introduced by trading partners like the EEC.

Perhaps more seriously for rival agricultural exporters, though, the US is embarking this year on a fundamental change in its overall farm policy. Over the next few months, under the five-year Food Security Act (the "farm bill") passed last December, Washington will be making cuts of up to 30 per cent in the market prices of its key products in a bid to recapture lost sales. Combined with the recent fall in the dollar, these reductions seem all the more dramatic. New-season crops are already trading at a sizeable discount in the futures markets of Chicago.

The full implications of this policy shift are only now beginning to dawn on other exporters. For the EEC it means that the Community budget will be stretched further than ever in paying higher subsidies to bridge the gap between high EEC grain prices and the world level. The Europeans are already feeling the cutting edge of US export subsidies in the Middle East and north African markets.

"I forsee blood on the floor for the next year or so. We're in a subsidy war for the short and medium term," says a State Department official.

Exporters like Canada, Argentina and Australia fear getting caught in the crossfire. Brazil faces stiffer competition for its soya bean sales. And for third world producers of rice and cotton like Thailand and Pakistan, the effects will be just as serious; the US is giving itself virtually unlimited capacity to match their prices.

The origins of the current export drive—and of Washington's more aggressive stance over EEC trade barriers—are deeply rooted in domestic politics.

With US agriculture now in the fourth year of a worsening slump, the Administration is pinning almost all its hopes for an eventual improvement on a revival in export demand. But boosting sales in today's glutted grain, rice, oilseed and cotton markets means only one thing: taking sales from other producers.

And although the Government is sheltering its own farmers from the effects of lower world prices with record income support payments, this will not prevent thousands more of them going out of business this year, taking numerous banks and farm equipment dealers with them. In a year when Congress faces mid-term polls and 22 Republican senators are up for re-election, many of them from key farm states, that can hardly be a heartening prospect for the Administration.

Today exports are much more important to US agriculture than they once were. In 1980, for example, exports made up 30 per cent of total US farm sales — double the proportion only 10 years previously. Just as the farm boom of the 1970s was fuelled by high inflation, a weak dollar and rising exports, so the slump of the 1980s was precipitated by a reversal of those conditions. Agricultural exports peaked at $44bn in the 1981 fiscal year; in the last fiscal year they were worth only $31bn and are likely to be lower still in 1985-86.

This was the picture confronting Congress as it struggled to put together the 1985 farm bill. The bill's predecessor, enacted in 1981, called for high price supports in the expectation of a continuing rise in world prices and demand. Neither materialised.

In the meantime the Reagan administration's success in curbing inflation undid the previous decade's helter skelter rise in land prices, thus significantly reducing the value of farm assets. At the same time, the dollar strengthened and, coupled with the high supports in the farm bill, opened up a price umbrella under which producers from other countries could expand.

Against this background the 1985 farm Act represents a big change of emphasis. "The significance of the 1985 farm bill was that most producers and politicians accepted the need to drive prices lower if there is over production," says Mr Gene Moos, a leading congressional staffer on agricultural issues. "Before, there was an emphasis on trying to hold prices by limiting production."

Now, while export prices are to be lowered sharply, farm incomes will be sheltered by a heavy programme of government deficiency payments, meaning that the bill's commodity programmes are estimated to cost at least $52bn over the next three years, nearly 50 per cent more than the level of the past three years (although this is subject to cuts under Congress's budget deficit reduction plan).

In this sense, US farm policy is moving closer to something like the EEC's practice of two tier pricing—one price actually paid to farmers and a significantly lower price for exports.

What the programme will clearly not do is alleviate the problems of debt and excess capacity which afflicts the farm sector. Mr John Schnittker, a leading Washington consultant, says the new programme "simply accepts and institutionalises existing financial strains."

Although export volume *will* pick up from this year, it is not expected to rise quickly enough to compensate for the drop in prices. The value of US farm sales will thus continue to decline in the short to medium term.

Farm bankruptcies and foreclosures continue to gain momentum, particularly in the grain and oil seed heartlands of the mid-west. Many thousands of farmers have already gone out of business, and a further 5 per cent of the remaining 2.2m are widely expected to go into liquidation this year.

The US "farm problem" is first and foremost a debt problem. Most of the farmers in trouble are those who geared up for expansion in the late 1970s and early 1980s. They are the medium-sized commercial farmers who were trying to get bigger only to be hit by a collapse in demand for their produce, a crash in land values, and increasing debt service requirements, all at a time when they could least afford to meet them.

The small operators, who have alternative sources of income, such as factory jobs, and little debt — an estimated 1.5m of the 2.2m total — are keeping their heads well above water. Of the remaining 700,000—pure commercial farmers — about one-third are believed to be in serious or terminal financial difficulties.

Aggregate farm debt is estimated at a staggering $210bn — of a similar order to the combined foreign debt of Brazil and Mexico. But the bulk of it (more than 60 per cent) is owed by only 19 per cent of US farmers.

The collapse in land values has brutally exposed the poor underlying quality of many of the loans which bankers fell over themselves to extend in the 1970s and early 1980s. As the Comptroller of Currency pointed out in a recent summary of the situation, "higher debt was supported by rising land prices rather than by higher cash flow."

The boot is now on the other foot. Land prices in key parts of the mid-west have fallen by more than 50 per cent since 1981 and are expected to drop by a further 3-5 per cent in the nation as a whole this year. As a result, the scale of bank losses and failures has been increasing sharply.

In 1985 the Farm Credit System — the largest overall lender to agriculture including federal land banks, medium-term credit institutions and banks for farm co-operatives — made a net loss of $2.7bn compared with net income of $373m in 1984.

Provisions for loan losses increased even more sharply and at the end of last year the FCS classed $5.32bn of its total outstanding debt of $66.6bn as "non accrual" or non-performing loans.

The effect has been a drastic erosion of investor confidence in the securities which the FCS uses to fund its lending — and a sweeping reorganisation of its operations, coupled with a promise of treasury assistance, if necessary, through a backup line of credit.

Among the banks with heavy exposure to agriculture, the picture is similar; the troubles of farming are hastening the consolidation of America's uniquely fragmented rural banking network. Last year 162 of the 861 US national agricultural banks reported losses, compared with only 60 in 1983. Of the 30 US banks that failed in 1985, 10 were agricultural.

For agricultural machinery manufacturers and other suppliers to farmers the outlook is, if anything, even bleaker. The equipment industry has already been through a traumatic adjustment process as a result of the sharp drop in sales over the last few years; Tenneco took over International Harvester's farm machinery division and introduced a sweeping rationalisation programme in late 1984, as did Deere over the farm equipment business of the US company, Allis-Chalmers last May; Ford merged with New Holland.

But sales have kept on falling despite heavy discounts offered by the manufacturers and last year sales volume was more than 50 per cent below its 1979 peak. In 1986, Mr Schnittker reckons it could be down a further 15-20 per cent. Distress sales of equipment by bankrupt farmers will continue to depress the market for new machinery; this year milking machinery manufacturers like Sweden's Alfa-Laval may well join the sufferers as a result of a government programme giving incentives to dairy farmers to quit.

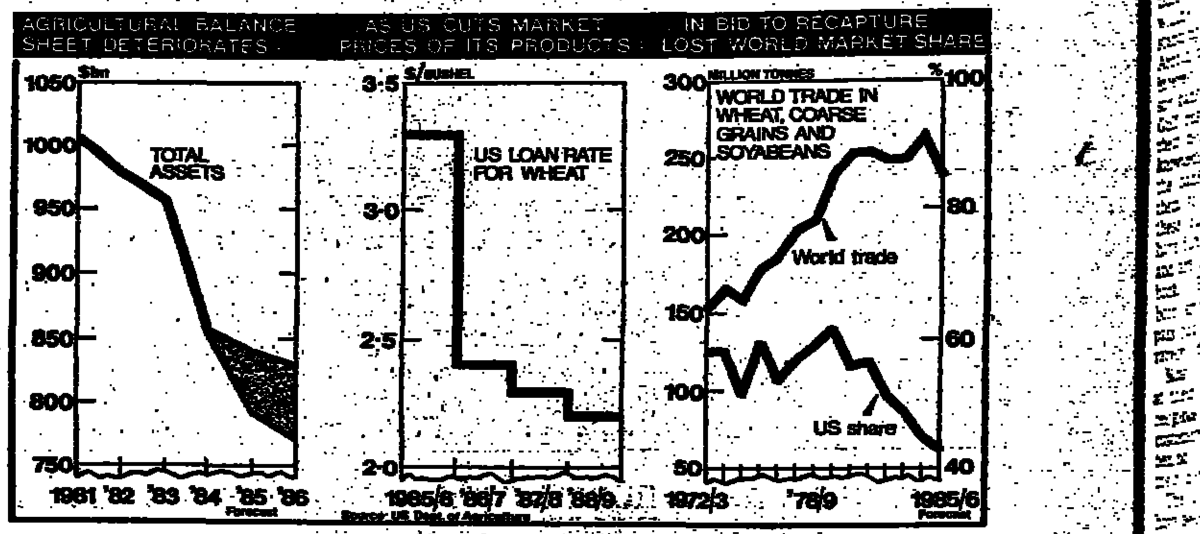
The big question for the machinery industry, therefore, is whether it has so far done enough to put its house in order. Judging by the heavy overhang of excess capacity, the answer is almost certainly that it has not.

Mr Emmett Barker, President of the Farm and Industrial Equipment Institute in Chicago, says: "I really don't believe that the Food Security Act of 1985 has any potential to improve the medium term outlook for agriculture. Some of our companies may not live to see better days when they eventually come."

People like Mr Daniel Amstutz, the free market hawk who is undersecretary for international affairs at the Department of Agriculture, likes to talk of what is happening in farming as a whole as a long overdue structural change, which will leave it much stronger in the end. But thanks to the programme of income support guaranteed under the final version of the new farm legislation written by Congress rather than the White House, that process will be prolonged and unprecedentedly expensive business. It could also prove extremely costly in political terms.

As the EEC and other farm exporters are beginning to find out, the structural shakeout is meant to involve their own agriculture just as much as America's.

> "I foresee blood on the floor for the next year or so. We're in a subsidy war for the short and medium term"




# Budget handouts or tax reform

IF THE Institute for Fiscal Studies is crowing a little in the wake of Mr Nigel Lawson's third Budget, it can surely be forgiven. For many years now, the IFS has been putting the case for an "expenditure tax" with all the ardour of a Latin lover. In 1984, the Chancellor rejected its entreaties, arguing that such a reform was "wholly impracticable and unrealistic" even as a long-term goal. Yet this year, with the proposed introduction of Personal Equity Plans, Mr Lawson took a significant, if unadmitted, step in this direction.

The concept of an expenditure tax is often misunderstood. A better title, which is often used in the US, is a "consumed income" tax. For what is being urged by the IFS and others is not a sort of super value-added tax but, in effect, an income tax with a different base and a different set of exemptions.

Broadly, the base would consist of all an individual's cash receipts: it would include, for example, proceeds from the sale of securities as well as wages. The crucial point, however, is that every form of saving would be deductible. Like income tax, an expenditure tax would be tailored to an individual's circumstances—an appropriate personal allowance and rate band would ensure that it was as progressive as required.

### *Distinctions*

An expenditure tax would seem to have many advantages. Unlike an income tax, it would not impose a "double" taxation on savings: the post-tax return on any form of personal investment would be equal to the pre-tax return rather than artificially depressed. The pressure on people to consume today rather than save and spend tomorrow would thus be removed. The Prime Minister could promote it as a tax that gives the thrifty a fair deal.

The Inland Revenue could welcome it as a means of greatly saimplifying the present tax code. An expenditure tax would provide the rationale for a much more logical reform of capital taxation than that attempted by Mr Lawson in the Budget. For year an army of accountants and lawyers has made a good living drawing fine distinctitons between "capital" and "income." Under a consumed income tax, such distinctions would be neither necessary nor relevant.

Capital gains would be taxed like any other receipt—at full expenditure tax rates. Capital transfers would suffer the same fate: gifts made, whether in life or on death, would be treated as an ordinary form of consumption. Gifts received would be treated like any other receipt—taxable unless saved.

At present, as the IFS points out, the British tax system is falling between two stools. The country no longer has a proper income tax because special incentives are given for virtually every form of saving. Apart from Peps, special rules apply for saving through: pension funds; the Business Expansion Scheme; portable pensions; certain qualifying life insurance policies; and through mortgage interest relief for house purchase, which is sometimes best regarded as a type of saving.

The trouble is that the rules for these different media are quite different; for most investment decisions tax is still as important a consideration as underlying yield. Worse, the ad hoc exemptions and reliefs for saving are not balanced, as they would be under a proper expenditure tax, by a broader initial definition of "income."

An expenditure tax would not be a panacea: the transition would be complex and there would doubtless be practical drawbacks. But the merits are surely such as to deserve closer scrutiny by the Government: if the Chancellor is willing to devote time and resources to a Green Paper on matrimonial taxation, he ought to be willing to do the same for the structure of the tax base. The alternative would seem to be an unplanned drift towards an expenditure tax with Budget handouts taking the place of rational reform.

The danger is that the UK would end up with the costs but not the benefits of a consumed income tax.

# Men and Matters

## Hiram Walker's triumvirate

Those who know the three men who call the shots at Hiram Walker Resources are not surprised that they have apparently decided to dismember the venerable Canadian energy and liquor company rather than succumb to a takeover bid by the Reichmann family, who control the Olympia and York real estate and resources empire.

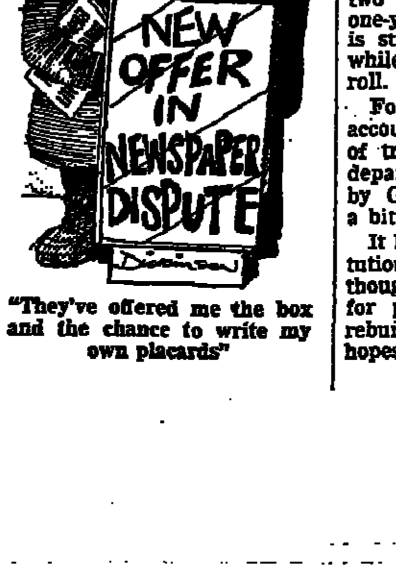
Clifford Hatch, senior, one of the patricians of Anglo-Saxon Canada, fought off other unwelcome corporate suitors during 20 years as Hiram's president and chief executive. Now aged 69, he retired two years ago but remains the elder statesman on Hiram's board of directors.

The Hatch family was largely responsible for stitching together Hiram Walker after buying its first liquor business in the early 1920s.

And the family links continue through Clifford Hatch, junior, 43, an aggressive Harvard MBA, who heads Hiram's liquor division. Hiram has proposed selling its spirits business to Allied-Lyons of Britain as part of its efforts to thwart the Reichmanns' bid.

The third important figure in the Hiram triumvirate is Alfred (Bud) Downing, 63, the company's chairman and president. A mild-mannered, self-effacing chemical engineer, Downing has spent his entire career with the company, including a stint at its distillery in Argentina.

Downing catches the bus to work each morning from his Toronto apartment. "He has a sense of what's right," says one Toronto securities analyst, referring to Downing's efforts to secure the best deal for shareholders, even at the expense of dismantling the company.




"They've offered me the box and the chance to write my own placards"

## Bristol fashion

Hoare Govett has finally filled the gap left by the departure of most of its traded options team for rival brokers L Messel in December.

Hoare have "borrowed" the two-man traded options team from Westavon Securities, a small but innovative fund management company based in Bristol.

Hoare is understood to have paid a large six figure sum to Westavon for the services of James Mahon, 35, Westavon's investment director and a veteran of the traded options market, and John Knox, 28, who joined Westavon from stockbrokers Statham, Duff Stoop two years ago. Mahon is on a one-year contract to Hoare but is still employed by Westavon while Knox is on the Hoare payroll.

For Hoare, which claims to account for about 10 per cent of traded option volumes, the departure of its team, headed by Geoffrey Chamberlain, was a bitter and expensive blow.

It had to withdraw from institutional business for a while though it maintained a service for private clients. It is now rebuilding its options teams and hopes to have numbers up to about eight before too long.

The rapid growth of traded option business in recent months has prompted an acute shortage of people with the right expertise and Hoare looked long and hard before lighting on the Westavon team.

Hoare partner, Peter Meinertzhagen, says the one-year contract is intended to give Hoare a let-out if the new team does not settle in, but Westavon hopes to hang on to Mahon, who is still helping to manage its £38m of funds from Hoare's City office.

For Westavon this arrangement gives it much closer dealing contacts and greater exposure in the City.

Westavon was one of the first fund management groups to see the potential of traded options, launching two option linked unit trusts in 1982 and 1983. Ironically it is winding up its gilts and traded options fund following the 1984 Finance Act, which put such funds in an unfavourable tax position.

## Trading places

The splashing about in the City continues to cause ripples on distant shores.

Barclays de Zoete Wedd, which last month appointed Nicholas Sibley, former managing director of Jardine Fleming in Hong Kong, as head of its international equities team in London, has now netted another Jardine man in Tokyo.

Mike Connors returned from holiday in Bali yesterday to take over as BZW's head of equity research in Japan. He replaces Simon Grove, who joined just over a year ago from Kleinwort Benson / Grieveson Grant. Grove, a well-known Tokyo character, is a respected Japanologist who rejoices in regaling visitors with tales of Tokyo's more exotic social customs. Equity research, however, was never considered one of his strengths. He had built his reputation on sales, particularly gilts.

"Our main priority now is to build a top quality equity research team in Tokyo," a local BZW man said yesterday.

Connors was head of Jardine's equity research and specialised in consumer electronics and technology.

## Mail orders

Soviet troops in East Germany *are displaying a growing* interest in the Western way of life.

Each day Soviet military patrols drive through West Berlin to exercise their four-power rights, much as the Western allies do in East Berlin.

Their Lada car invariably stops at a West Berlin news stand where two officers get out and buy bundles of Neckermann mail order catalogues for the folks back home.

Other Soviet Army vehicles with uniformed drivers stop in front of a well-known jeans shop near the West Berlin office of Aeroflot, the Soviet airline. Men in civilian clothes get out and buy as many pairs of jeans as they can carry. The jeans are ordered by Soviet officers for their children, who are fascinated by the West which they glimpse via West German television programmes in East Germany.

Where the officers get the hard D-Marks for the purchases remains a mystery unless they exchange East German marks for D-Marks at the black market rate of five to one.

## Double meaning

"If having one wife is called monogamy," a Hampshire teacher asked a 12-year-old in her class, "what is having two wives called?". The boy thought long and carefully before answering: "Stereogamy."

**Observer**

BANK PROBLEMS IN THE GULF

# Islam's bad debtors

By a Special Correspondent

THE "hard times" in the Arabian Gulf have brought on a confrontation that the region's banks always hoped would never happen, namely a clash between Western banking practices and the principles of Islam which forbid the receipt and payment of interest.

In the days of uninterrupted economic growth the issue of bank interest somehow never mattered. Borrowers' profits were so spectacular that interest was not a problem. The banks, on the other hand, were so eager to jump into the fray that most ignored the fine print from lawyers on loan documents that interest was unenforceable in Saudi Arabia. They have known for years now that the courts in Abu Dhabi only accept interest calculated on a simple interest basis (rather than compound which is interest on interest).

As the Gulf recession deepens and the number of defaults and liquidation cases rises rapidly, the implications of these laws are at last being realised.

All over the region, banks report that they are being forced by clients to submit to negotiations over the rate they are willing to pay on their outstanding loans. Many in Saudi Arabia are refusing to pay any interest at all. More alarming, say bankers, is the tendency of Gulf customers to walk out on their debts, comfortable in the knowledge that the last thing the banks want to do is take them to court. In many cases, these customers are known to have funds hidden away abroad, and are unwilling to bring them back. Bankers and borrowers both know that even if courts pass judgments, enforcement is rarely, if ever, achievable.

Most foreign bankers sneer at their clients' "new found" religious principles and say customers are trying to hide behind Islam to avoid paying their debts in full.

The old fears about interest have been resurrected by a case currently being heard in the Abu Dhabi courts where a bank customer is seeking a refund on the "illegal" compound interest which he has paid on an overdraft for the past 17 years. The implications are enormous.

Many banks are considering packing their bags altogether, while others are cutting their presence significantly. They say that unless governments in the area are willing to implement a code of civil law which will protect their rights as creditors, they will be increasingly reluctant to stay.

In the meantime, many are insisting that new credits are written under foreign law and backed by external assets. Others say there are still good names around whose record on interest is impeccable and therefore remain creditworthy. The sceptics point out that the good names of today can overnight become the bad names of tomorrow.

Some countries in the Gulf are better than others. Oman and Bahrain for example have commercial codes of law which present no problems for bankers. Kuwait, too, maintains a reasonable law, but the access of foreign banks to the Kuwaiti legal system has not yet been really tested, and the bankruptcy laws are not anyway being allowed to apply to those who lost on the illegal Souk al-Manakh stock market, who account for most of the default cases. The slump in Kuwait is so severe that few bank are willing to lend to Kuwaitis anyway.

But in the Emirates and Saudi Arabia, governments have reacted to the oil market collapse by delaying payments to local companies. Borrowers in both countries are saying they can no longer afford to pay their full commitment.

One Abu Dhabi businessman explained: "A lot of people are looking into their old files and feel they have been taken for a ride by their banks. They simply cannot afford to pay compound rates of interest now."

Banks could not come into the Gulf and think they can operate as they do in London or Tokyo. "They have to make concessions to local culture," he added. Many merchants feel that because the banks prospered in the expansionary days, they, like everyone else, must now make "sacrifices."

Bankers are not impressed and claim that the rules of the game are suddenly being rewritten.

An underlying fear of many in the area is that the Gulf governments may support their nationals, as a cheaper alternative to the bad debt corporations suggested recently. Under these schemes, special entities funded by the state would buy up all the bad debt and reschedule borrowers at soft rates of interest.

Bankers in Abu Dhabi say that if the current case for a refund on interest is allowed to go through, there will be a catastrophic halt in new lending. It is vital, they say, that the government issue a decree endorsing compound interest. But such a move would be politically difficult. Already local judges feel they have gone too far in contradicting the laws of Islam.

In Saudi Arabia, interest is forbidden altogether, and the courts there—as in Abu Dhabi—consider that loan repayments are of principal, not interest. In both states, banks have found that their debts have been whittled down to negligible amounts by order of the courts. In some cases where interest payments have exceeded the original loan amount the court has ordered the bank to repay its customer. Banks in Saudi Arabia have hastily settled out of court with some clients who have tried to seek refunds.

Most Gulf governments realise the seriousness of the problem and the implications for future credit. Saudi Arabia, for example, has tried on several occasions to establish committees under the Commerce Ministry where disputes between banks and their clients can be adjudicated, out of the Sharia law courts.

Bankers in both Abu Dhabi and Riyadh are thinking of drawing up blacklists. These would consist of names of those who renege on debts and interest and refuse to bring money home to pay off outstanding loans. By agreement with the banks, such customers would be denied future credit facilities by all banks and could serve to embarrass those debtors with high social profiles. (Even bank directors and chairmen are not above refusing to pay their interest bills.)

Most analysts believe that no matter how much pressure is applied on governments by the banks, there will be no changes in the legal codes and general level of commercial morality until those companies which do pay their debts speak out. In the end, they too, will be affected by the reputation the Gulf private sector is gaining.

# A heavyweight sheds pounds

Nicholas Colchester

ONE frequently-heard argument against the entry of the pound sterling into the European Monetary System is that the EMS will find it hard to accommodate another heavyweight currency alongside the D-mark. Quite apart from Britain's oil, say the sceptics, sterling's status as a widely used, traded and held international currency means that larger market forces will work upon it than those challenging the EMS parity of the French franc, or the lira or the guilder.

What is sterling's real status today? The box shows the different functions expected of an international currency. The most basic definition of a heavyweight is that nations use it as a store of value by holding it in their reserves. The IMF figures in Table 1 show this use of different currencies at the end of 1984.

They suggest that sterling is well on the way to having the same relationship to the D-Mark as other European currencies. Over the last decade its status as a reserve currency has been halved while that of the D-Mark has doubled and that of the yen has come from nowhere into fourth position. The decline of the dollar's role is interesting as is the rise of Ecu, the composite European currency in which the D-Mark has the heaviest weight.

These reserve figures are echoed in the use of currencies in the private markets. Table 2 gives figures from Salomon Brothers on the dollar value of the different denominations of international bonds issued in 1985.

And one can do a similar exercise for the currency distribution of international bank lending. The figures in Table 3 show the foreign currency assets of the banks in the industrial countries, outside each bank's country. They exclude the large amount of lending that goes on between banks before the depositor's money reaches the non-bank borrower abroad.

Tables 2 and 3 show the emergence of the D-mark, the Swiss franc, the yen and the Ecu as alternatives to the dollar as stores of value in international capital market and banking transactions. There are variations in the pattern with the D-mark particularly prominent as an international banking currency and the yen apparently held back in banking by Japan's still rather hide-bound financial system.

The pound sterling's showing is surprisingly muted when one considers the importance of London as an international financial centre.

The other ways in which international currencies are used are harder to quantify. I have, for instance, not been able to discover figures for the percentage of international trade invoiced in different currencies. The IMF bureau of statistics recently published incomplete data of variable, though recent, date showing how each country's exports and imports break down by currency.

I have extracted the degree to which each country invoices its own exports and imports in its own currency—a measure which must be influenced by the international role of that currency. Table 4 says more about the dollar's predominance and the low profile of the yen than anything else. Sterling does not stand out against other European currencies, but the table shows the relatively high proportion of imports that are now offered to West Germany priced in its own currency.

Another official international function for a currency is to serve as a base for the exchange rate regime of another country. Table 5 is based upon research by Peter B. Kenen of Princeton University for the Group of Thirty.

Sterling is no longer much of a yardstick. France preserves a striking degree of monetary colonialism. Generally, the trend in the developing world is towards baskets of currencies, whether official or homegrown.

Finally, there is the use of currencies in foreign exchange trading.

The Bank of England's currency trading room feels that the following discrete currency pairs loom large in foreign exchange trading in descending order of importance: the US dollar-D-Mark market, followed by the sterling-D-Mark market.

That is a global guess at trading volume. The trading rooms of big commercial banks in London say their local order is: sterling-dollar, followed by dollar-D-Mark, followed by dollar-yen and then sterling-D-Mark.

There is little doubt that if sterling does have a strong status today greater than the strength of the economy it is in its share of foreign exchange trading and in the range, transparency, familiarity and liquidity of money market and bond market investments that lie beyond each transaction. Sterling is an attractive vehicle to those playing the international currency markets because its value is volatile and the underlying investments liquid. The foreign exchange fraternity in the City prefers things this way because volume, uncertainty and volatility create the right conditions for profit.

## International uses of sterling...

| Function | Private sector | Official |
|---|---|---|
| Unit of account | Trade invoicing | Currency pegging |
| Means of payment | Vehicle currency in forex trading | Intervention currency |
| Store of value | Denominating loans, deposits, bonds | Reserve currency |

### 1 Official reserves

| | End 1974 | End 1984 |
|---|---|---|
| US$ | 76.0 | 57.0 |
| D-Mark | 5.8 | 11.0 |
| Yen | 0 | 4.8 |
| Sterling | 5.4 | 2.6 |
| Swiss franc | 1.4 | 1.9 |
| French franc | 1.0 | 1.0 |
| Ecu | 0 | 11.0 |
| Other | 11.4 | 10.6 |

Source: IMF annual reports.

### 2 International bond issues

| | Value $bn | % |
|---|---|---|
| US$ | 100.0 | 60.6 |
| D-Mark | 11.2 | 6.8 |
| Yen | 12.6 | 7.6 |
| Sterling | 6.35 | 3.8 |
| Swiss franc | 14.5 | 8.8 |
| French franc | 1.6 | 1.0 |
| Ecu | 7.3 | 4.4 |
| Total | 165.0 | |

### 3 International bank lending

| | Sept 1985 value $bn | % |
|---|---|---|
| US$ | 210.9 | 70.0 |
| D-Mark | 48.7 | 16.0 |
| Yen | 3.0 | 1.0 |
| Sterling | 2.8 | 0.9 |
| Swiss franc | 14.8 | 4.9 |
| French franc | 1.8 | 0.6 |
| Ecu | 6.0 | 2.0 |
| Total | 301.2 | |

External, foreign currency, non-bank assets of banks reporting to the Bank for International Settlements.

### 4 Invoicing of trade

| Per cent of exports (invoiced in own currency) | Exports % | Imports % |
|---|---|---|
| US | 98 | 85 |
| Germany | 83 | 45 |
| Japan | 29 | 3 |
| UK | 76 | 30 |
| France | 62 | 36 |

### 5 Exchange rate base

| | in 1974 | in 1981 |
|---|---|---|
| Dollar peggers | 62 | 32 |
| Sterling peggers | 9 | 1 |
| FFr peggers | 13 | 12 |
| SDR peggers | 0 | 12 |
| Own basket peggers | 0 | 16 |
| Other currencies | 1 | 3 |
| Other approaches | 14 | 22 |

Percentage of developing countries pegging their currencies to different countries.

# Letters to the Editor

## Encouraging facts

*From the Director-General and Deputy Chairman, British Invisible Exports Council*

Sir, — Once again, in deploring the decline in Britain's manufacturing base, the critics take a side-swipe at *British service trades*, if only to assure us that no real salvation can possibly be expected from that quarter. And once again Britain's invisible exporters who, apart from North Sea oil, are *still providing the only surplus* in the balance of payments, are dragged into an argument which has been none of their making.

The latest to join this knockabout debate are Sir John Harvey-Jones in his Dimbleby Lecture and you in your leader of April 4. Sir John tells us with relish that the UK has been losing market share in services even faster than in manufacturing. You, sir, state: "*Contrary to popular belief* the UK is not that good at services."

Before readers take all this as gospel, could I pose one or two questions and remind them, and you, of a few facts. The decline in market share is not in dispute. UK invisible earnings as a percentage of world invisibles has dropped from 12.9 per cent in 1969 to 8.5 per cent in 1983. *The question* is why; and is it significant?

The decline reflects (i) the growth of tourism world-wide, *(ii) the decline in shipping* and (iii) a world trend towards the service trades, leading to competitors in developing and developed countries alike. But has all this reflected a lack of competitiveness in UK services? Hardly. Unlike manufacturing industry, Britain's tradeable services have not been penetrated by imported services; their foreign surplus remains intact *and is growing*; and, in the prime sectors of finance, professions, consultancy, television and entertainment they remain world leaders.

Now a *few encouraging facts*. It is possible that at this moment (as The Economist has noticed, and you, sir, have not) the UK is running the largest net invisible surplus in the world, as the US net surplus begins to decline. Germany and Japan are still in deficit on invisibles. Britain's surplus on financial transactions was £6bn in 1984, double that in 1981. *(London accounts for* 25 per cent of all international banking transactions; New York 15 per cent.) In the categories covering net foreign earnings from financial services, consultancies, the professions and entertainment, the UK has been first in three of the past five *years (ie, ahead of* the US).

So why so much gloom and denigration of Britain's service trades? The tradeable services alone are providing 40 per cent of Britain's jobs, compared with 26 per cent for manufacturing.

W. M. Clarke.
*14, Austin Friars, EC2.*

## The future of steel

*From Mr J. Craig*

Sir,—Mr Robert Scholey has at long last been given the final responsibility for the future of British Steel Corporation (BSC). He takes over when *forecasts suggest* that the year to March 31 1986 will show that BSC has again become profitable. Mr Scholey has lost no time in making it clear that a *surplus of £200m is essential* if BSC is to be viable as well as profitable.

This target suggests that Mr Scholey is still thinking that he will only be able to privatise the heavy end of the industry as a unit. Such an approach would perpetuate the damage done to the industry in the UK when nationalisation reduced the sources of steel supply to one and so *forced users to seek* a second source on the continent or in Japan.

Would Mr Scholey's task of privatising the industry be achieved more easily by *splitting* the present monolithic structure into smaller units based on geography? This would have the advantage of harnessing the competitive urge of the tribal loyalties of the English, Scots and Welsh, which, after all, is one of the strengths of the British nation.

John S. Craig.
*1 Buckland Court,*
*37 Belsize Park, NW3.*

## Electricity from France

*From Mr D. Ross*

Sir, — The defence of Electricité de France by Mr Maurice Garner (March 29) does not deal with the central point — that EdF supplies us with "cheap" electricity only if one ignores its massive debt. The debt totals more *than* FFr 200bn and is the equivalent *of the cost* of 20 reactors. What would the British Government say if the Central Electricity Generating Board asked for preferential rates for loans to build 20 power stations and what would this do to the public-*sector borrowing requirement?*

Any electricity utility, here or in the US, could, with 20 "free" power stations generating perhaps 20,000 megawatts, provide "cheap" electricity when it was required to charge for the fuel alone. It is most unfair to contrast the price with that paid to the CEGB which has slightly more ethical standards of calculating cost. It even includes a notional figure for the assumed cost of de-commissioning power stations while the French do *not* need to incorporate in their price the cost of the original construction. They are trading in the red with Government complicity. We are not. Their electricity is truly being dumped *on* us.

David Ross.
*55 Ruskin Park House,*
*Champion Hill SE5.*

## Disciplined accountants

*From the Under Secretary, Chartered Association of Certified Accountants.*

Sir,—I am writing in connection with the article on accountants by Ian Hamilton Fazey in your supplement on small businesses of April 1.

At one point Mr Fazey quotes Brian Jenkins, president of the Institute of Chartered Accountants in England and Wales (ICAEW), as arguing that, when small businesses are trying to find the right accountant, "a chartered one is best because other types of accountants are not subject to the institute's professional codes and disciplinary procedures." The implication of this—which is, to say the least, unfortunate—is that the professional codes and disciplinary arrangements of the other chartered accountancy bodies are *of a less than adequate standard.* As Mr Jenkins must certainly appreciate, and I would have hoped that Mr Hamilton Fazey would also have done, the association's codes of conduct and competence and *disciplinary procedures* are every bit as rigorous and comprehensive as those of the English institute. Furthermore, the English institute and the association, together with the Scots Institute, operate a joint *disciplinary scheme for cases* involving the public interest. So although Messrs Jenkins and Hamilton Fazey are strictly correct in stating that accountants who are not members of the English institute are not subject to that *institute's rules* and regulations, the implication that only that institute's requirements stand up to real scrutiny is *regrettable.*

The association does, however, of course, fully endorse Mr Jenkins's advice that small businesses should ignore "the unqualified ones who call themselves accountants."

(Mrs) Anthea L. Rose.
*29 Lincoln's Inn Fields, WC2.*

## Equal rights of audience

*From Mr M. Sternberg.*

Sir,—Your legal correspondent's indiscriminate attack on the Lord Chancellor ("Pay productivity and the Bar," March 27) contains many inaccuracies. One series of assumptions *simply cannot go unanswered.* The suggestion that is made concerning practice in family law cases is this: the Bar does not want a united family court because, "it would lead inevitably to equal right of audience *for solicitors* and barristers, something the Bar does not want . . . the Lord Chancellor shields the Bar . . . families and children at risk should complain."

The suggestion is patently false. *Solicitors have had rights* of audience in the county courts, where the majority of family cases are heard, for over a century. Solicitors have had rights of audience in 98 per cent of high court cases since the 1940s. This is because 98 per cent of high court family work is heard in chambers. Solicitors cannot appear in defended divorces (about 50 a *year) or application to commit* to prison for contempt (not many more). Many members of the Bar do not want a unified family court but it is both unjust and untrue to suggest that the Lord Chancellor shields a restricted right of audience, where none exists, and that thereby families and children are at risk. What would be more instructive would be to consider why it is that the Bar conducts almost all the heavy family law cases when virtually equal rights of audience exist already.

Michael V. Sternberg.
*3 Dr Johnson's Buildings,*
*Temple EC4.*

## Literacy and numeracy

*From Mrs A. Bailey.*

Sir,—*As an adult* basic education tutor for some years, I note with dismay an increasing number of teenagers arriving at my classes barely literate and almost totally innumerate.

I would suggest the introduction of a compulsory literacy and numeracy examination for *school-leavers. This would have* to be passed before a pupil was allowed to leave school.

I feel sure this would concentrate, most constructively, the minds of less enthusiastic secondary school students and might prove an effective weapon for the educational establishment *in its constant efforts* to improve both academic achievement and classroom behaviour.

(Mrs) Alison V. J. Bailey.
*Cliff House,*
*Llancarfan,*
*Barry, S. Glam.*

FINANCIAL TIMES
Tuesday April 8 1986



Cheaper oil adds to Gorbachev's problems, writes **David Buchan**

# Soviet reforms under pressure

THE BIG new squeeze on Soviet dollar earnings from energy may not only lead to a 25 to 33 per cent cut in the Soviet Union's annual $32bn to $33bn hard currency imports, as the Soviet Trade Minister conceded last week. It also puts Mr Mikhail Gorbachev's vaunted economic reforms under new and contradictory pressures.

It gives, on the one hand, urgency to the oft-voiced need for Soviet exports to become more competitive in relatively price-stable manufactured goods and less reliant on the vagaries of volatile world commodity markets. On the other hand, it is likely to make harder the current modest attempts to decentralise the organisation of trade and access to ever-scarcer hard currency.

It would be simplistic to link the degree of Soviet interest in economic reform too directly to movements in the world oil price. Officials rightly point out, that trade plays a relatively small part in their mega-economy, and less than half that trade is conducted in hard currency.

But it is striking that from 1973 to 1984 – when, according to a new United Nations report, oil and gas receipts accounted for $19.1bn of the total $22.7bn increase in Soviet exports to the West – the Soviet Union made no serious effort at economic reform. That was last attempted in the "oil-poor" 1960s.

Significantly, it is to the 1965 Kosygin reforms that Mr Gorbachev has reached back for some of his "new" ideas. For instance, the newly announced freedom for state farms to sell their above-target production as they wish restates a right that has existed on paper since 1965. The problem has been, according to specialists at the Moscow Economics Institute, that the authorities have generally pressed farms to sell all their produce to the state, rather than on to the private markets.

Another echo of the 1965 reforms comes in Mr Gorbachev's call for better price formation and wholesale trade between enterprises. Mr Gorbachev has only taken small new steps here. He has said regional authorities will now fix fruit and vegetable prices in state shops, but that still leaves the bureaucrats and computers in Moscow trying to set anywhere between 12m and 20m wholesale and retail prices.

Tight allocation of components, and producer and intermediate goods, even more than of finished products, is one of the Soviet economy's most distinctive characteristics and problems.

Mr Gorbachev has made a start in merging the 60 or so industrial branch ministries whose chief job is rationing factories' inputs and outputs. He has amalgamated ministries in the agriculture, energy and machine tool sectors. But this is still a long way from the logical end of one single industry ministry as now exists, for instance, in Hungary.

**The biggest gap between Soviet target and reality is in agriculture, so much so that Moscow ceased publishing grain harvest figures in 1980.**

But Mr Gorbachev also has some reform ideas of his own, which, if successful, would boost agriculture and so stem the hard currency drain of grain imports, and also would improve the chances of Soviet manufactured goods on world markets.

● The biggest gap between target and reality is in agriculture, so much so that Moscow ceased publishing grain harvest figures in 1980. Western experts believe the 1981-85 harvests averaged 183m tonnes a year, far below the annual average target of 239m tonnes.

Mr Anatoly Khorokhorin, a senior planner at the state agricultural committee, explains that no one wanted to lower the overall targets. Generally, targets must be seen to rise to demonstrate inexorable progress along the Leninist path.

So even in agriculture, 1986-90 output is supposed to grow by an average 2.7 per cent a year, or more than double the 1981-85 performance, with 250m-tonne harvests by 1990.

But a 50 per cent price bonus will be paid for any production (of grain and other major staples) which is above the average production in 1981-85, regardless of whether output reaches the higher 1986-90 targets. Thus, incentives will be realistically tied to past production rather than increasingly pie-in-the-sky targets.

It is unclear whether this effective downgrading of targets might spread further, or be restricted to agriculture, the one area of the economy where targets had come to bear no relation to reality.

● A refinement of this downgrading of targets is the new freedom for state and collective farms to dispose as they wish of 30 per cent of their targeted output in fruit and vegetables. Mr Gorbachev cited as precedent for this Lenin's 1921 *prodnalog*, or food tax.

Talk of a "tax" might sound ominous to Western ears, but the 1921 tax in fact replaced outright food confiscation during the civil war, revived private farming and has, for Soviet citizens today, connotations of the semi-market, mixed ownership economy that existed in the Soviet Union in 1921-28.

However, this new flexibility giving state producers access to private markets, and vice versa, is significantly limited to fruit and vegetables, of which a third is in any case grown on private household plots. So the ideological implications are limited.

● The Andropov experiment, started in 1984, is to cover half of all Soviet industry by the end of this year and all of it by the end of 1987. Professor Valentin Kashin and his colleagues at the Moscow Economics Institute report mixed results for the new system which ties company profits to actual sales and contract fulfilment, rather than mere output, and gives workers more say in disposing of those profits.

Labour productivity rose, with five out of 26 industrial sectors reporting a 0.7 per cent cut in the number of their workers and the remaining 21 sectors showing no increase in the workforce. There was, however, little improvement in the rate of technical innovation, the economists say.

Mr Gorbachev is pushing reform further at two showcase plants, the Fiat-designed Volga car plant at Togliatti and the Frunze machine tool enterprise at Sumy. Even under the Andropov experiment, enterprises can keep no more than 40 per cent of their profit (the rest going to the state budget and branch ministry) and none of their hard currency earnings.

The Togliatti plant now keeps 47.5 per cent of its profit, and can retain 40 per cent of its considerable foreign exchange earnings (it turns out 660,000 cars a year, many of them Ladas for sale in the West).

Sumy, says Professor Kashin, will soon be able to keep up to 60 per cent of profit, but only on the understanding that it finances all imports from its 40 per cent foreign exchange retention fund.

The overall aim is to make the Soviet export profile less like that of a developing country dependent on see-sawing commodity prices. A greater share of exports in the form of Lada cars and Sumy machine tools would lend stability to hard currency revenues. But, if hard currency revenues really dry up this year, it is hard to see the Moscow authorities allowing any other companies to hold on to hard currency earnings.

# Japanese report sets goal of economic harmony

**By Jurek Martin in Tokyo**

JAPAN HAS been urged to set itself a medium-term national policy goal to reduce its current account surplus "to one consistent with international harmony" by a special advisory group set up last October by Mr Yasuhiro Nakasone, the Prime Minister.

The group says that to achieve the recommended goal, Japan should stimulate domestic demand, change some internal economic structures, further liberalise its financial and capital markets and, through tax reform, encourage a propensity among the Japanese to spend, not save.

These broad recommendations were compiled by a committee of 17 establishment figures from government and industry under the chairmanship of Mr Haruo Maekawa, the previous governor of the Bank of Japan.

Mr Maekawa said at a press conference yesterday that this was the first report to address what he described as "the intrinsic export-oriented nature" of the Japanese economy as a whole rather than from sectoral standpoints.

However, the report contains little that has not already become common currency in the long-running debate over Japan's trading successes. For the most part, it prescribes no detailed policy remedies and very few numerical targets.

This may disappoint Japan's trading partners who had been led to expect that the Maekawa group's findings would be a seminal influence on Japanese policymaking. The report itself is to be presented to Mr Nakasone today, at the same time as the announcement of some new economic stimulus measures.

Greater foreign critical attention is more likely to be focused on the brusque dismissal yesterday by Mr Shintoro Abe, the Foreign Minister, of European demands that Japan set quantifiable targets for manufactured imports.

Mr Abe told a group of visiting European journalists: "Because we are a free market economy and a free trading nation, it is difficult to come up with numbers." Japan has been cool to this EEC approach since it was first raised last autumn.

In one of its few specific references, the Maekawa report does suggest that the domestic coal mining industry, which it cites as a classic case of a non-competitive sector, be reorganised, with vastly reduced output, so as to make possible more imports of coal.

But Mr Maekawa shied away from suggestions that this was a radical departure from existing practice by pointing out that Japan already had on its books industrial restructuring laws covering some 26 depressed industries, such as aluminium.

Other generalised recommendations include more foreign aid; more Japanese investment overseas to promote a more equitable international division of labour; a new multilateral trade round with further reductions in Japanese tariffs and other barriers; stable exchange rates; a flexible monetary policy; import promotion drives; a crackdown on counterfeiting and a shorter working week.

The group even suggested that the widely-divided and little-used office of trade ombudsman be strengthened to deal with foreign complaints.

Other issues of controversy such as the Japanese retail distribution systems, the interlocking web of Japanese corporate groups, and the Japanese Government procurement policies, were either not mentioned at all or given only the most fleeting, indirect reference.

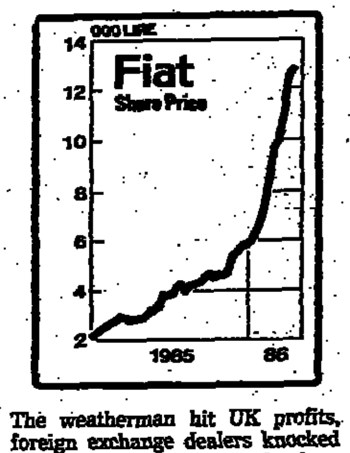
Armed with this report and the new economic measures to be announced today, Mr Nakasone leaves at the weekend for Washington to try to persuade the Reagan Administration that Japan is playing a full role in international economics.

**Contest for leadership, Page 4**

## THE LEX COLUMN

# A full tank for Fiat

The Chancellor of the Exchequer's personal equity plans may eventually discourage private investors from cashing in their profits as soon as they enter a new tax year but, for the moment, the opportunity to defer capital gains is simply too tempting. So it scarcely needed Friday's fall on Wall Street to persuade tax-paying individuals that profits are there to be taken.




### Fiat

Whatever anybody else might think about the dizzy rise of the Milan stock market, Fiat seems to have no lack of confidence in its resilience and appetite for quality paper. The L1125bn rights issue announced at the weekend is larger, in terms of relative capitalisation, than any secondary issue the London market has been offered. Or perhaps, when the price of Fiat's own ordinary shares has doubled since January, it would have been criminal not to ask shareholders to finance a portion of the capital expenditure that would justify their earnings expectations, even at the cost of about 10 per cent off the share price.

Having more than discounted the effect of falling oil prices on Fiat's vehicle sales and, rather less plausibly, of lower Italian interest rates on its debt service later in the year, the market has been keenly expecting news on the sale of Libya's 15 per cent stake.

All sorts of patriotic US corporations are apparently ready to help buy the good Colonel out of Italian industry.

However, the placing of some $2bn in Fiat equity is not quite the work of a moment even if the Agnelli family holding company sold on its non-voting rights to pick up a bit of it. Why the Libyans should want to dispose of such a marvellous countercyclical investment is anybody's guess.

As it is, shareholders are being asked to finance only a tenth or so of the cost of equipping a plant for the successor range to the Strada. In the meantime interest savings of about L130bn will mitigate the earnings dilution this year, leaving Fiat on the negligible price/earnings multiple of under 20.

### Rugby Portland

At least the taxman was on Rugby Portland Cement's side in 1985. The weatherman hit UK profits, foreign exchange dealers knocked overseas profits, and the bankers took more in interest. But the Inland Revenue saved the day by giving back, in effect, about £4¾m and so allowing a small increase in post-tax profits despite the 21 per cent fall at the pre-tax level to £21.8m. This benefit seems to derive from the ACT shelter provided by the UK earnings of John Carr (Doncaster) the timber company, bought for £65m in cash and shares during 1985. This will be a non-recurring plus though, and as a result the rebound in pre-tax profits expected this year, with the bulls looking for £30m or even more, will do nothing for earnings if the tax charge turns out at a normal 35 per cent.

Rugby is still pursuing its aim of reducing dependence on the UK cement market. In 1985 it achieved that the wrong way, with cement profits falling to about half the total before redundancy costs. This year will give a better indication of cement's importance in the group as the other parts have a more normal year, and John Carr chips in a full 12 months. Rugby's shares, in part buoyed by bid speculation, are still rated high enough on a prospective p/e of 13 at 179p, down 8p yesterday, to allow more paper acquisitions.

### Currencies

Currency realignments almost always seem more exciting on a Friday evening than a Monday morning and this one was no exception. The French franc and the D-Mark dutifully swapped places within the EMS as dealers who had found anyone silly enough to take long franc positions over the weekend squared their books and drove the franc to its new ceiling. The D-Mark received official support for most of the day but still finished on its floor.

A 5.3 per cent devaluation makes good only about half the loss of competitiveness the franc has sustained against the D-Mark since 1983 but, with the theory of economic convergence for once receiving practical support from the two governments, that is unlikely to bother the foreign exchange markets.

Of more immediate concern is the possible change in interest rate differentials within the system. Yesterday's fall in franc period rates may have reflected nothing more than a return to business as usual but the weekend reshuffle should permit a modest reduction in rates for the softer currencies, notably the franc and the lira.

That would leave the cost of sterling finance looking more anomalous than ever. Yesterday's rise in the pound was no doubt helped by the catering problems on Norwegian oil rigs but the prospect of a wider interest premium over most European currencies did it no harm either.

There is no reason why base rates should not fall later this week if Wednesday's money supply figures are satisfactory but history suggests that the UK Treasury will hold out at least until next week's Opec meeting.

### Amstrad/Sinclair

Amstrad's purchase of Sir Clive Sinclair's home computer brands is so logical it could have been conceived by an electronic brain. Amstrad has the marketing skills and the ability to control stocks which Sir Clive always lacked. On the other side, Sinclair is now free of the worries of the business world and can concentrate on the pure research. If that does come up with a marketable computer Amstrad has the first option to produce it. It is a slight come-down to find that the Sinclair name will represent the low-end of the range with Amstrad reserved for more up-market products. The £5m price tag reflects Sinclair's position as a distressed seller. With Amstrad expecting sales of the Sinclair brands at around 750,000 units a year, it could recover the purchase price in the first full year. A far cry from the days when Sinclair Research was worth £136m.

# S. African blacks threaten boycott

**By Anthony Robinson in Johannesburg**

SOUTH AFRICAN black activists yesterday threatened "an immediate and total consumer boycott and mass stayaways" if the Government took any action against Mrs Winnie Mandela, the anti-apartheid leader, following her weekend call to blacks to dismantle apartheid themselves.

The warning of popular protests, first in the industrialised Vaal triangle and then possibly nationwide, was issued by the Release Mandela Campaign which has long been lobbying for the release of Mr Nelson Mandela, Mrs Mandela's husband, and other imprisoned leaders of the banned African National Congress.

Mrs Mandela, who has lived under various banning orders with only brief intervals since 1962, had the restrictions banning her from living in her Soweto home revoked last week in the wake of a Bloemfontein Appeal Court ruling in mid-March. This led to the repeal of a banning order on 16 anti-apartheid activists.

Yesterday a ministry spokesman confirmed that although some of the restrictions on Mrs Mandela had been lifted she was still legally a restricted person who could not be quoted. But this view has been ignored by lawyers acting for local newspapers who have gone ahead with the publication of lengthy interviews in which Mrs Mandela has called for mandatory sanctions, rejected the Government's "reformist" strategy and called on blacks to dismantle apartheid themselves.

The ministry spokesman said the whole situation was in a state of flux as the minister was urgently reviewing the whole banning procedure. The newspapers are not expected to be prosecuted for publishing Mrs Mandela's words, but the latest statement by the Release Mandela Campaign is seen as an attempt to prevent the minister coming up with a new and tougher set of rules, which could by-pass recent court judgements and impose even stricter rules on banned people.

Meanwhile, a fierce row has broken out between President P. W. Botha and Chief Gatsha Buthelezi, Chief Minister of Kwazulu who is one of the main architects of the "Kwanatal Indaba" which is meeting in Durban to produce a single, multi racial legislature for the province.

Speaking in the Kwazulu National Assembly in Ulundi, Chief Buthelezi accused the President of "burying his head in the sand" and denying that apartheid was the root cause of the evils of South Africa.

Chief Buthelezi concluded: "I might soon have to tell the world that Mr Botha is snuffing out the small flame of hope which burns in black breasts."

# Renault 'needs more state aid'

**Continued from Page 1**

bad for Renault. However, there were now tentative signs of a recovery of the French domestic car market and Renault is still hoping to see the French market recover to the 1.88m level this year.

The French car group is banking heavily on the launch of its new R-21 medium range car which has so far sold above the company's target on the French market with 38,000 sales since the launch at the end of February against a target of about 28,000 cars. Mr Besse said he hoped to see Renault gain a 30.5 per cent of the domestic private car market this year and 32.5 per cent of the market for cars and light vans.

He added that the weekend devaluation of the French franc should help foreign sales, especially in West Germany, although he emphasised the need for the devaluation to be matched by a decline in French interest rates. He also called for a reduction in France's 33 per cent rate of value added tax to help the recovery of domestic car sales.

Despite the huge losses last year and the worsening of the deficit of Renault's car division which lost nearly FFr 11bn last year against a deficit of FFr 9.8bn in 1984, Mr Besse listed a series of actions which should start bearing fruit in this year's performance.

These measures include a 25 per cent reduction in Renault's French workforce over a 2½-year period which has already helped to improve productivity. Productivity last year rose from 10.8 cars to about 12 cars per worker a year. Renault has also restructured its dealer network in France.

But Mr Besse acknowledged that Renault continues to be burdened by huge debts and specific problems in certain foreign subsidiaries like Mexico, which alone forced the company to make loss provisions of more than FFr 1bn last year.

Mr Besse said the task of returning a group like Renault to profit was similar to turning around an oil tanker. Although Mr Besse hopes to see Renault start to break even by the second half of next year and return to profit in 1988, he did not disguise yesterday the difficulty of his job.

Asked if he feared that Renault faced the same fate as BL, the state-owned British group which faces possible splitting up and sale to the private sector, Mr Besse replied that he was doing all that was possible to push his group out of its current depression. But he added he would never say he would be able to cure Renault of its problems.

Mr Besse was also asked if there was any truth in rumours of his possible resignation. He denied these suggestions categorically and added jokingly that he wished in advance good luck to his successor.

Mr Besse was put in charge of Renault by the former Socialist Government at the end of January 1985 to mastermind the recovery of the troubled state group after his success in returning the loss-making state Pechiney aluminium group to profit.

His main action has been to seek to cut losses by recentring Renault on its core car business, shedding a number of diversified operations, reducing the workforce and improving productivity, and seeking to lower the group's car production break even point to 1.2m cars a year from more than 2m in 1984. Mr Besse said yesterday that he would only be in a position to comment on Renault's 1986 financial outlook in June and that any forecasts for this year were at present premature.

**Reuter reports from Detroit:** American Motors (AMC), controlled by Renault, said it would lay off for an indefinite period 750 workers at its Jeep assembly plant in Toledo, Ohio, more than 10 per cent of the plant's workforce. General Motors last week said it would lay off more than 4,700 workers at plants in four states.

# EMS paves way for rate cuts

**Continued from Page 1**

day to 8¼ per cent from 8¾ per cent before the weekend. The Bank of France is not due to review its intervention rate – the leading money market rate – until next Tuesday.

Belgium's National Bank said it saw the realignment as allowing Belgian interest rates to return to a more normal level after their rise in December when the Belgian franc came under pressure on foreign exchanges.

The bank cut its short-term Treasury bills rate to 9 per cent from 9.75 per cent before the weekend, and reduced its base lending rate, the bank rate, by half a percentage point to 9.25 per cent.

Unlike the other devalued currencies the Belgian franc moved yesterday into the lower half of its permitted band. It closed in London at BFr 20.389 to the D-Mark, compared to an official intervention floor of BFr 20.89.

The Belgian franc was officially revalued by 1 per cent against its central rate, but it was effectively devalued by nearly 2 per cent against the D-Mark through the German currency's 3 per cent revaluation.

Mr Geoffrey Dennis, of stockbrokers James Capel & Co, said the Belgian franc looks little more healthy now than before the realignment.

"Belgium made an application to join the hard currency club, but followed it up with an interest rate cut and dropped to the bottom of the exchange rate system," he said.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | F | 17 | 63 | Dubrovnik | S | 23 | 73 | Malta | S | 20 | 68 | Rhodes | S | 24 | 75 |
| Algiers | F | 21 | 70 | Edinburgh | F | 6 | 43 | Manchester | R | 4 | 39 | Rio de J'o | C | 36 | 97 |
| Amsterdam | C | 6 | 43 | Faro | S | 14 | 57 | Manila | S | 32 | 90 | Rome | F | 20 | 68 |
| Athens | S | 25 | 77 | Florence | C | 22 | 72 | Melbourne | C | 17 | 63 | Salzburg | F | 21 | 70 |
| Bahrain | F | 25 | 77 | Frankfurt | S | 14 | 57 | Mexico City | S | 29 | 84 | San Francisco | C | 19 | 66 |
| Bangkok | C | 35 | 95 | Funchal | F | 17 | 63 | Miami | C | 25 | 77 | Seoul | S | 12 | 54 |
| Barcelona | F | 12 | 54 | Geneva | C | 7 | 45 | Milan | R | 12 | 54 | Singapore | S | 32 | 90 |
| Beirut | S | 28 | 82 | Gibraltar | F | 15 | 59 | Montreal | R | 4 | 39 | Stockholm | S | 2 | 36 |
| Belfast | F | 5 | 41 | Glasgow | C | 5 | 41 | Moscow | C | 4 | 39 | Strasbourg | F | 12 | 54 |
| Belgrade | S | 26 | 79 | Guernsey | Sl | 2 | 36 | Munich | S | 21 | 70 | Sydney | C | 18 | 64 |
| Berlin | D | 6 | 43 | Helsinki | F | 6 | 43 | Nairobi | R | 19 | 66 | Taipei | C | 23 | 73 |
| Biarritz | R | 7 | 45 | H. Kong | C | 21 | 70 | Naples | F | 24 | 75 | Tangier | F | 14 | 57 |
| Bombay | S | 32 | 90 | Innsbruck | S | 20 | 68 | Nassau | S | 26 | 79 | Tel Aviv | S | 23 | 73 |
| Bordeaux | F | 8 | 46 | Inverness | C | 5 | 41 | New Delhi | S | 32 | 90 | Tenerife | — | — | — |
| Brussels | C | 7 | 45 | Islamabad | S | 31 | 88 | New York | C | 6 | 43 | Tokyo | S | 11 | 52 |
| Budapest | F | 24 | 75 | Istanbul | S | 14 | 57 | Nice | C | 15 | 59 | Toronto | C | 18 | 64 |
| B. Aires | S | 25 | 77 | Jakarta | C | 32 | 90 | Nicosia | S | 27 | 81 | Tunis | S | 22 | 72 |
| Cairo | T | 24 | 75 | Jersey | Sl | 3 | 37 | Oporto | F | 10 | 50 | Valencia | F | 12 | 54 |
| Cape Town | C | 21 | 70 | Jo'burg | F | 26 | 79 | Oslo | S | 5 | 41 | Venice | S | 18 | 64 |
| Caracas | S | 30 | 86 | Lima | S | 24 | 75 | Paris | R | 8 | 46 | Vienna | C | 21 | 70 |
| Casablanca | C | 15 | 59 | Lisbon | S | 10 | 50 | Peking | S | 20 | 68 | Warsaw | C | 8 | 48 |
| Chicago | C | 13 | 55 | London | R | 3 | 37 | Prague | S | 16 | 61 | Washington | — | — | — |
| Cologne | [illegible] | [illegible] | [illegible] | Los Angeles | [illegible] | [illegible] | [illegible] | Reykjavik | [illegible] | [illegible] | [illegible] | Wellington | [illegible] | [illegible] | [illegible] |
| Copenhagen | [illegible] | [illegible] | [illegible] | Luxembourg | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | Zurich | [illegible] | [illegible] | [illegible] |
| Corfu | [illegible] | [illegible] | [illegible] | Madeira | [illegible] | [illegible] | [illegible] | | | | | | | | |
| Dublin | [illegible] | [illegible] | [illegible] | Madrid | [illegible] | [illegible] | [illegible] | | | | | | | | |
| Dubai | — | — | — | Majorca | [illegible] | [illegible] | [illegible] | | | | | | | | |

*Readings at mid-day yesterday:* C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

# BSN profits rise 5.6%

**BY DAVID HOUSEGO IN PARIS**

BSN, FRANCE'S largest food and drinks group, which is currently the subject of takeover rumours, announced a modest 5.6 per cent increase in net consolidated profits last year to FFr 798m ($105m).

The disappointing result was in line with market expectations and follows a substantial fall in profits during the first half.

BSN, which recently announced it had acquired a substantial minority stake – believed to be over 20 per cent – in Générale Biscuit, France's main biscuit manufacturer, has itself been a victim of a raid on its shares. Two large international food groups are believed to be competing in buying up BSN shares, though neither has so far reached the 10 per cent mark at which a declaration is compulsory.

The 5.6 per cent increase in profits last year was on the basis of a 4.3 per cent increase in turnover to FF 28.4bn.

Profits fell most substantially in the group's beer and packaging division and rose most in the dried foods division on which the group is concentrating expansion.

● Crédit Industriel et Commercial (CIC), the large French commercial bank, stepped up net consolidated profits to FFr 849m ($118m) last year, more than double the FFr 399m for 1984. CIC recently issued non-voting shares, giving private shareholders a stake for the first time since nationalisation in 1982.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday April 8 1986



# Union Carbide to trim assets and shed jobs

BY PAUL TAYLOR IN NEW YORK

UNION CARBIDE, the US chemicals group which is carrying out a big restructuring programme, yesterday announced plans to divest an additional $1bn in assets and reduce its already streamlined workforce worldwide by a further 1,200 jobs.

The latest asset disposal and cost reduction proposals represent the first big action taken by Mr Robert Kennedy, who took over as president and chief executive of the Danbury, Connecticut, group earlier this month and will succeed Mr Warren Anderson as chairman when he retires later this year.

Union Carbide, which has already raised over $700m through asset sales since it announced its restructuring programme last August and has reduced its worldwide workforce by almost 7,800 to 91,459 at the beginning of this year, announced the latest planned sale of "non-strategic assets" in a letter to employees.

The centrepiece of the latest asset disposal programme is the planned sale and leaseback of the group's 611-acre Danbury headquarters site which the group intends should be developed as a commercial complex.

Mr Kennedy said additional assets are expected to be divested in the next 18 months to reduce the company's debts and improve near-term earnings and cash flow.

In addition to the already completed and newly proposed asset sales, Union Carbide is still negotiating the sale of its consumer products division put up for auction in January as part of its response to GAF's eventually unsuccessful takeover bid.

The disposals are designed to reduce the group's heavy debt assumed as a result of its 116m share repurchase scheme which was also undertaken to thwart GAF. Carbide assumed an additional $2.5bn in debt as a result of the share repurchase scheme.

The 1,200 job cuts announced yesterday will affect company staff domestically and internationally. The cuts are in addition to a voluntary redundancy programme and divestments which Union Carbide said yesterday had resulted in an 8 per cent worldwide workforce reduction by the beginning of 1986.

They also come on top of further workforce reductions resulting from planned divestitures.

Mr Kennedy, who also announced the group's planned capital and technology expenditure this year, said: "The new Union Carbide will be a somewhat smaller and a very much more focused company. Our senior management group, which totalled 46 people a year ago, will be 23 as a direct result of our restructuring during the past year.

"By the end of 1986 we will have simplified a company that had 20 divisions, six area companies and six executive vice presidents to one with four, strong worldwide business groups $7bn in annual sales, 10 divisions, one executive vice president and in effect no area companies.

"No less important, we have reduced the layering of management between CEO and plant manager or sales person."

# Olivetti chief buys stake in Merzario

By Alan Friedman in Milan

MR CARLO DE BENEDETTI, the Olivetti chairman who also controls a personal industrial and financial empire, has acquired a significant shareholding in Merzario, the Milan freight forwarding, shipping and insurance group which last year had a L750bn ($456m) turnover. The plan is for the family-controlled Merzario to come to the Milan bourse in the next year or so.

Mr De Benedetti's Sabaudia holding company, together with Mr Jody Vender's Sopaf investment banking group and Banca Commerciale Italiana, the second largest Italian bank, have subscribed L20bn of Merzario bonds which are convertible into equity.

The issue is believed to represent about 25 per cent of Merzario equity, which has remained, until now, 100 per cent controlled by the Merzario family.

Merzario, founded in 1835 as a freight forwarder, has developed a substantial container shipping business which accounts for roughly 50 per cent of group turnover.

Merzario last year entered into a joint venture in the insurance field with Jardines and has activities in Europe, the Middle East and Far East.

● Sabaudia, one of Mr Carlo De Benedetti's three main holding companies the other two are Cofide and Cir – yesterday reported a L8.1bn net profit. There is no comparable figure because Sabaudia was formed last year.

Sabaudia, which recently launched a L300bn share issue on the Milan bourse, has a variety of important industrial and financial holdings which together have a market value of L300bn and a book value of L177bn.

These include 20.85 per cent of the Euromobiliare investment bank, 7.32 per cent of the Pirelli holding company, 7.8 per cent of the Caboto financial and property group, 14.64 per cent of the Orlando family's Gim metallurgy group, plus holdings in the Mondadori and L'Espresso publishing companies

INDEPENDENT CARRIER STAKES CLAIM TO AIR FRANCE TERRITORY

# French fight over air routes

BY PAUL BETTS IN PARIS

FRANCE'S international airline business has been shaken by a row over the allocation of long-distance routes to the country's two profitable long-haul airline companies, UTA and Air France.

Air France, the national airline, has argued publicly for the first time that the existence of a second, privately held French international company is in the long term damaging to the country's interests.

Mr Marceau Long, chairman of Air France, claimed in a written statement at the weekend that competition between his airline and UTA (Union de Transports Aeriens), the independent airline specialising in long distance routes to Africa and the Far East, undermined the French industry in the face of growing international competition.

The Air France statement is the latest chapter in the developing controversy between the state airline and its smaller rival, which is owned by the Chargeurs diversified transport group. Until now, Air France has adopted a discreet public stance on the controversy. The state airline chairman's decision to speak out follows the campaign by Mr Rene Lapautre, the UTA chairman, to seek new routes to the US and eventually elsewhere in Europe to enhance his airline's competitive position. In so doing, he has been treading directly on Air France's traditional turf.

For the past 22 years, a French Government agreement divided the world between Air France and UTA, giving the smaller airline a major slice of Africa and a number of Far Eastern destinations, including Tahiti and New Caledonia, while Air France flew everywhere else.

But with the coming of airline deregulation and the recent evolution of the business worldwide, UTA has argued for the need to diversify its routes. Indeed, it has been bidding against Air France for a new Paris-San Francisco service.

However, the current negotiations over new US routes between Washington and the French Government have had to be suspended. Mr Long denied in his statement that Air France had any responsibility in the collapse of the talks.

The Air France chairman went on to say that UTA was now seeking new international routes in areas already covered by the state airline and added: "The interest of UTA must not be confused with the interests of French air transport."

He also argued that the current fierce competition offered by foreign airlines, especially US, Far East and other European carriers, made it all the more necessary for France "to regroup its forces."

While UTA has argued for the need to develop a competitive system based on the British model of British Airways and British Caledonian, Air France is now publicly taking the opposite line. It wants a monopoly system, similar to most other European countries with the exception of Britain, where international airline services are controlled by a single national carrier.

To back up its case, Air France says European airline companies will in future have to compete against US "megacompanies" with fleets of 500 aircraft – far outnumbering a company like Air France with about 100 aircraft and one like UTA, with only about 10 aircraft.

The controversy over international routes is likely to broaden further with the return of a right-wing Government in France committed to a free market economic approach and privatisation.

# Metallgesellschaft confident despite lower metal prices

BY JOHN DAVIES IN FRANKFURT

METALLGESELLSCHAFT, the West German metals, chemicals and trading concern, expects to keep up its performance this financial year despite lower metal prices and the decline in the US dollar.

The company has already reported a substantially improved net profit of DM 81m ($36.5m) on group sales of DM 11.2bn in its financial year to last September 30 compared with DM 25m profit on sales of DM 10.5bn the previous financial year.

It is paying a dividend of DM 6 per share after not paying for three years in succession.

Mr Dietrich Natus, the chief executive, said yesterday sales revenue to the end of February, the first five months of the current financial year, reached DM 6.4bn, 5 per cent up on the same period a year earlier. He expected earnings this financial year to be comparable with those attained in 1984-85.

He said the group's strategy was to give more stability to earnings in all areas of business so that they would show good results even in less favourable times.

The group is greatly increasing its investment in the next two years as part of an effort to build up business and improve its future earnings ability. It has also carried out important rationalisation measures in recent years to eliminate loss-making problems in metal manufacturing and mining.

Mr Natus declined to indicate dividend prospects but said last year's payment was still not satisfactory.

He said that Metallgesellschaft lead-zinc mine at Meggen in West Germany and its zinc processing activities were feeling the impact of low metal prices. The group's mines abroad, however, were profitable and were not causing any great problems.

Mr Natus said Lurgi, the group's process plant manufacturing subsidiary, was continuing to build up sales again, particularly through small to medium-sized orders for environmental protection plant but earnings would again be unsatisfactory.

# Carson, Pirie rejects higher Baytree offer

BY TERRY BYLAND IN NEW YORK

THE BOARD of Carson, Pirie Scott, Chicago's second largest department store chain, has rejected an increased bid worth $360m from Baytree Investors, describing it as "grossly inadequate."

Baytree, a group of little-known Chicago investors, has said it would sell of much of Carson's food service operations if its $36 a share bid succeeded.

Carson has already rejected an offer of $35 a share from Baytree, and defended itself by declaring a poison pill dividend of preferred share purchse rights.

Baytree is headed by Mr Gilbert Granet, who recently bought Wieboldt Stores, which rates next to Carson in the Chicago retail league, and has also been credited with plans to bid for Gimbels and Kohls, two of the US retail subsidiaries that Bat Industries of the UK plans to shed.

The bid approach from Baytree has been vigorously resisted throughout by Carson, which has accused the would-be suitor of lacking experience in retailing or food services.

# Triumph-Adler, Olivetti in talks

TRIUMPH-ADLER, the office equipment arm of the Volkswagen motor group, is negotiating with Olivetti of Italy on co-operation in research and development and in the exchange of components, Reuter reports from Nuremberg.

The West German group could not rule out that the chairmen of VW and Olivetti might have been in contact. But an official dismissed Italian press reports that VW and Olivetti were about to exchange shares as "pure speculation."

Triumph-Adler said the aim of the negotiations with Olivetti was to strengthen both companies against competition from Japan.

The talks were in keeping with a call by the European Commission for European companies to face the challenge of Japanese competition, he said.

# Lafarge optimistic as earnings surge by 58%

BY DAVID MARSH IN PARIS

LAFARGE COPPÉE, the big French cement group, is looking forward to another year of steady growth after boosting net consolidated earnings 58 per cent last year to FFr 768m ($103.5m).

Mr Olivier Cerf, the chairman, declined yesterday to forecast this year's performance apart from saying the group's volume cement sales, which rose last year for the first time in five years, would continue to grow.

Lafarge was now starting to profit from efforts in the last few years to restructure loss-making areas, such as the refractory division, to trim back debt and increase its activities in the biotechnology field.

Lafarge's balance sheet has improved considerably since its earnings low point in 1982 with financial charges making up only 3.8 per cent of turnover last year against 6.9 per cent three years earlier.

Lafarge was now halfway through its plan drawn up that year to reduce its indebtedness – which fell by FFr 1bn last year – and basic profits.

France accounted for 37 per cent of group sales of FFr 17.4bn last year with the US making up 23 per cent, Canada 21 per cent and other European countries 11 per cent. The rest came mainly from Africa and South America.

Mr Cerf said Lafarge was pleased with the company's strong price rise on the Paris stock market, where the share price has roughly quadrupled since the beginning of last year.

He brushed aside recent press speculation, however, that the company could eventually be the subject of a hostile takeover as part of the wave of takeover activity affecting the bourse.

The company has about 60,000 shareholders with more than half its shares held by institutional investors – including US pension funds, which have started to build up stakes.

A deal announced last July under which Lafarge will build up its US activities by taking over six cement terminals in the Great Lakes area has still not gone through, mainly because of hold-ups in winning authorisation from the US Federal Trade Commission.

NEW CHIEF EXECUTIVE AIMS TO RETURN A TROUBLED US MINING GROUP TO PROFIT

# Getting Amax out of a hole

BY STEFAN WAGSTYL IN LONDON

MR ALLEN BORN, chief executive of Amax, the struggling US mining company, is under no illusions about the prospects for metal prices.

Emblazoned on the cover of the group's annual report, published last month, is the slogan: "The future belongs to the low-cost producer."

Amax, the world's largest molybdenum company and an important producer of coal and aluminium, is still paying the price for following a different course in the past. Last year the company made a net loss of $621m, taking the total deficit since 1982 to $1.7bn. Debts at the year end stood at $1.8bn against shareholders' funds of $750m.

Even by the standards of the troubled US mining industry, these are exceptional figures.

Few companies were as ambitious as Amax in funding expensive diversification plans in the 1970s with heavy borrowings, and few have been hit as hard in the 1980s by the decline in metal prices, because the price of molybdenum has fallen further than that of almost any other metal – from a peak of more than $20 a pound to under $3.

In 1981 the company turned down a $78.50 a share bid from the Chevron oil group. The stock now trades at about $15 on Wall Street, up from a $10.50 low last year.

Mr Born has to turn this battered company around. After six months as company president, the 52-year-old former metallurgist took over as chief executive in January from Mr Pierre Gousseland who had been in office since 1977. Mr Born knew what he was taking on – he worked at Amax for 14 years until he left in 1981 to join the Canadian group Placer Development.

At Placer, Mr Born became chairman and brought the company out of severe financial trouble, taking it away from base metals into precious metals, oil and gas. But he is the first to admit that the job at Amax is a much bigger proposition. "This is a major overhaul," he says. His target is to bring Amax to break-even point, after interest charges, this year. "I know that's not good enough, but it's a start."

No illusions: Amax's Allen Born

The company had been under heavy fire for its financial performance. At last year's annual general meeting, Mr Gousseland had to answer some very tough questions from angry shareholders.

Mr Born is reluctant to comment on the past: "I wasn't around. I can't talk about what came before me. I think probably people were waiting around for commodity prices to come back."

Amax had already been trying to put its house in order, by cutting costs and selling assets to reduce debts. But Mr Born's arrival has given the group a new impetus.

His plan is to concentrate on the group's three core businesses – molybdenum, coal and aluminium. He also wants to put more effort into expanding into gold. But almost anything else is, or could be, up for sale.

In the past year the group has pulled out of iron ore – selling a 25 per cent stake in the Mount Newman mine, in Australia, for $274m; it has also sold or is selling its US phosphate business, most of its remaining US oil assets (following up a major disposal made in 1984), its lead-zinc mine at Buick, Missouri, and its Canadian tungsten mine.

Elsewhere, loss-making businesses have been closed, including copper, precious metal processing and nickel refining. Altogether Amax made provisions of $395m in 1985. Mr Born does not expect any more write-downs in 1986.

Overall, the group, which had already cut its workforce from more than 20,000 in 1982 to some 13,000 at the end of 1984, shed a further 2,500 jobs last year.

But all the savings have yet to bring the company's molybdenum business into profit. The Henderson and Climax mines in Colorado are running at some 50 per cent capacity and still lost $90m before interest in 1985.

Mr Born's target is to reach break-even in molybdenum this year. Productivity is being raised with the help of new mine plans. The worldwide sales and marketing operations of the Metals Group (mainly molybdenum) is being centralised to improve control and cut costs.

Mr Born says the group can live with molybdenum at $3 a pound. But he blames other North American producers for souring the market. "We are the only ones who have really cut back as far as moly is concerned." Mr Born wants Amax to be in a position to expand output from a low-cost base if his competitors cut back.

Mr Born is relying on coal to continue contributing a vital part of Amax's revenues. The third-biggest US coal producer, it has a relatively secure market selling some 90 per cent of its output on long-term contracts to power stations. Mr Born bought an underground mine in Utah at the beginning of 1986 and wants to expand further.

He also has high hopes for Alumax, the group's 50 per cent-owned aluminium company, the fourth largest in North America. Alumax is a low-cost producer with a wide range of fabrication businesses which have helped to keep it in profit and survive tough times in the aluminium industry. Amax expects Alumax to increase profits this year with the opening of a new primary production plant in which it has a stake at Becancour, Quebec.

Gold brings a gleam to Mr Born's eye. The company's first gold mine starts production later this year at Sleeper, Nevada, at an estimated rate of 60,000 ounces a year. In Australia, Australian Consolidated Minerals, a 45 per cent-owned company, is also opening up two mines which will bring Amax some 40,000 ounces a year. Mr Born says this is just the beginning – almost the entire Amax exploration effort is going into gold.

The profits from gold or any successful diversification would be protected from tax for several years by the group's past losses. But the great constraint is finance. By the end of year Mr Born hopes to have brought down group debts to $1.2bn, an improvement on 1985's $1.8bn, but still high in comparison with net assets of $750m. Moreover, Amax had to sell 7m new shares to help achieve the reductions.

In other words, without a surprise increase in metal prices, the recovery of Amax will be a long time coming. But at least its survival no longer looks in doubt. Mr Born says: "I think we have a vibrant if smaller company."

# Northgate Exploration cuts debt but incurs loss

BY KENNETH MARSTON, MINING EDITOR, IN LONDON

CANADA'S Northgate Exploration progressed last year in reducing its debt, the servicing of which has been swallowing up the earnings of the company's gold-copper mines in the Chibougamau area of Quebec.

Last year mine operating profits rose to C$11.2m ($8.6m) from C$6.5m. But Northgate ended up with a net loss of C$2.2m or 19 cents per share compared with a profit of C$2m in 1984 when there was a gain of C$7.8m from the sale of part of the holding in Whim Creek Consolidated.

However, the long-term debt was reduced to US$35m in 1985 from US$49m, helped by a C$21.2m issue of common shares and gold purchase warrants.

A rescheduling of the remaining debt reduced annual repayments from US$6m to US$1m until 1993. After the year-end the debt was further reduced to US$24m by the sale of the holding in Tara Exploration and Development.

Mr Pat Hughes, Northgate chairman, says in the annual report that bank debt is now "at a very manageable level" and the company is "on a sound financial footing."

● Rio Algom, the Rio Tinto-Zinc group's Canadian arm, says its new East Kemptville open-pit tin mine in Nova Scotia has begun initial operations. It is expected to achieve normal working by mid-year at a total cost below the budget of C$170m.

Average annual output for the first 10 years is expected to be 4,400 tonnes of tin contained in concentrates together with 1,500 tonnes of copper and 2,400 tonnes of zinc also in concentrates.

# INTL COS

## Petrobras gains fail to match inflation

By Ann Charters in Sao Paulo

PROFITS at Petrobras, Brazil's state oil company, failed to keep pace with inflation last year due largely to the adverse effect of government-imposed price controls.

Net profits were 11,000bn cruzeiros, compared with Cr 1,100bn in 1984. In dollar terms – more meaningful for a company which imports 40 per cent of Brazil's domestic oil consumption, profits rose from $369m to $1.05bn. This 184 per cent rise is eclipsed, however, by Brazil's inflation rate last year of 234 per cent.

Consolidated sales for Petrobras, its six subsidiaries and related companies totalled Cr 115,500bn, compared to Cr 36,000bn in 1984.

Consumer prices for petroleum derivatives and alcohol were allowed to increase by only 132 per cent and 147 per cent respectively last year. Petrobras said this affected its cash flow, level of debt and consequently its performance, particularly in the second half of the year.

All the Petrobras subsidiaries expanded their operations and closed the year with positive results. The subsidiaries include petrochemical companies, distributors and mining, trading, fertilisers, exploration and drilling concerns.

With the fall in international oil prices, this year's balance sheet should improve. Total domestic consumption reached 964,000 barrels a day in 1985, at an average import price of $28 per barrel, but Petrobras has reduced its purchase price to $16-$17 per barrel up to March.

Whether any savings will be passed on to the consumer has not yet been decided.

# Net foreign bond sales by Tokyo insurers in March

BY YOKO SHIBATA IN TOKYO

JAPANESE life insurance companies sold $800m more foreign bonds than they purchased in March, marking the first month of net sales since November last year, according to the Ministry of Finance.

Among Japanese investors, life insurance companies are the largest buyers of foreign bonds; their outstanding balances at present are worth about Y5,000bn (£27.76bn).

They had been net buyers of such bonds in December, January and February, at $6.85bn, $5.74bn and $5.99bn respectively.

However, they turned to net sellers in March by stepping up sales of Canadian and Australian dollar-denominated bonds, valuation losses of which have swollen as their prices have fallen relative to the yen's steep appreciation.

The MoF recently allowed life insurance companies to place up to 25 per cent of their total assets in foreign currency-denominated assets with effect from April 1, against previous 10 per cent limit.

The life insurance companies also increased their sales of US dollar bonds, taking profits on the sharp rise in US bond prices. Most of their holdings of US bonds bought in large volume in the July-September quarter last year — reached record prices in March.

The top five life insurance companies' holdings of Australian and Canadian bonds accounted for 25-50 per cent of their total foreign bond holdings. Many of these remained at their purchase prices at the end of the fiscal year ended March 31, 1986.

Japan's tax rules lay down that if the book value of a security falls 15 per cent or more from its purchase price at the end of a fiscal year, the loss may be written off in a financial statement for the same year.

Those insurance companies to which the 15 per cent rules apply have resorted to sales of some of their foreign bond holdings in order to be able to write off losses on the book value within the fiscal year ended on March 31. They are hoping to depreciate the losses in the current business year.

# Banks seek broking permits

BY OUR TOKYO STAFF

THE LEADING Japanese city banks (commercial banks) have stepped up their lobbying efforts to persuade the authorities to let them move into the securities business.

For the first time, 12 of the city banks have issued an "unified view" on the reform of Article 65 of the Securities and Exchange Law, Japan's equivalent of the US Glass-Steagall Act. The Bank of Tokyo did not lend its name to the document.

The banks' move places the issue of the domestic boundaries to be drawn between banking and securities business squarely on the agenda of the so-called second phase of financial deregulation in Japan.

The banks' document argues that Article 65 long ago "achieved its original aim of fostering the growth of a strong securities industry. Brought into force under the post-war US occupation, it set out to encourage what was then a weak industry by prohibiting banks from dealing in securities, other than government and public authority bonds. The "unified view" warns that the article could now invite foreign criticism because of the growing internationalisation of financial markets.

At the root of the banks' position is their fear that failure to amend or repeal Article 65 could lay them open to growing competition from those foreign banks which have been granted permission to engage in Japanese securities business.

Partly to forestall such arguments, the MoF has insisted that foreign banks such as Deutsche Bank and Citicorp to which it has granted securities licences should do this business through specified subsidiaries.

The city banks urge the MOF to let their overseas branches apply for local securities licences in New York and London.

# Convertible is first for Japanese trust banks

By Alexander Nicoll

MITSUBISHI Trust & Banking Corporation yesterday became the first Japanese trust bank to launch a convertible Eurobond, with a $100m issue.

Japanese banks were allowed to issue long-term convertible debt abroad for the first time last year, and six city banks (commercial banks) have since raised $620m in this way. Official guidelines allowed for the city banks to tap the market before the trust banks.

Mitsubishi Trust, which has a triple-A rating, is issuing 15-year bonds with an indicated coupon of 2¾ per cent and conversion premium of about 5 per cent. Final terms will be set April 17. The issue is callable from 1989 at 104 and thereafter at declining premia.

The issue is being lead-managed by Mitsubishi Trust & Banking Corporation (Europe), marking what is believed to be the first time a Japanese trust bank has run the books on a dollar Eurobond.

The issue was well received, trading at 102. The lead manager said only a small amount had been placed in Japan and that European demand was strong.

Mitsubishi Trust is shortly to establish a separate London operation, called Mitsubishi Trust International, to take a more active role in the Eurobond market.

# Offerings in Euroyen soar to Y1,600bn

EUROYEN BOND offerings by foreign governments and corporations surged in the fiscal year ended March 1986, AP-DJ reports from Tokyo. This was more than triple the level seen in the previous 12 months the Ministers of Finance (MoF) said.

In the first 11 months of the financial year there were 79 offerings worth Y1,549bn ($8.6bn), far surpassing the 25 issues made in 1984-85 amounting to Y528.5bn.

The MoF is now compiling data for March, but the ministry said the total for the 1985-86 fiscal year is likely to exceed Y1,600bn.

It ascribed the upsurge to the relaxation of regulations being put into effect by the Japanese Government in order to promote the use of the yen in international financial transactions and to defuse frictions with the US and other countries over what is perceived to be excessively stringent restrictions on the Japanese financial markets.

The Japanese Government, for instance, allowed corporations in other countries to float Euroyen bonds for the first time in December 1984. Before then, only governments and international organisations had had authorisation to offer Euroyen bonds.

# Fl 398m rights planned by Amrobank

By Our Financial Staff

A RIGHTS issue with warrants to raise around Fl 398m ($148m) is planned by Amsterdam Rotterdam Bank (Amrobank) one of the biggest commercial banking groups in the Netherlands.

The announcement comes less than a week after Nederlandsche Middenstandsbank, a major rival to Amro, disclosed plans for a Fl 140m rights issue. Amro's terms are one-for-ten at Fl 96 a share.

Amro recently reported a 35 per cent increase in net profits to Fl 340m for 1985, and proposed an extra 50 cents of dividend at Fl 4.20 a share. These closed yesterday at Fl 107.

Five new rights shares will carry one warrant, giving the right to one Amro share at Fl 115 in the period May 1986 to December 1989.

# US QUARTERLIES

| HAMMERMILL PAPER<br>Paper, paper products | 1986 | 1985 |
|---|---|---|
| First quarter | $ | $ |
| Revenue | 457.6m | 428.1m |
| Net profits | 11.5m | 7.9m |
| Net per share | 0.64 | 0.50 |

| HARRIS STEEL<br>Steel | 1985-86 | 1984-85 |
|---|---|---|
| Year | C$ | C$ |
| Revenue | 284.4m | 172.4m |
| Net profits | 9.4m | 2.9m |
| Net per share | 0.91 | 0.31 |

| KAUFMAN AND BROAD<br>Housing insurance | 1986 | 1985 |
|---|---|---|
| First quarter | $ | $ |
| Revenue | 196.4m | 151.8m |
| Net profits | 4.5m | 4.5m |
| Net per share | 0.25 | 0.23 |

| TURNER BROADCASTING SYSTEM<br>Cable TV | 1985-86 | 1984-85 |
|---|---|---|
| Fourth quarter | $ | $ |
| Revenue | 92.5m | 71.1m |
| Op. net profits | 9.2m | 1.2m |
| Op. net per share | 0.42 | 0.06 |
| Year | | |
| Revenue | 351.9m | 281.7m |
| Op. net profits | 17.3m | 5.1m |
| Op. net per share | 0.79 | 0.25 |

# Currency move lifts French issues

BY OUR EUROMARKETS STAFF

THE WEEKEND realignment in the European Monetary System (EMS) provided a boost for French franc and Ecu-denominated bonds but failed to impress other markets with currencies in the EMS, such as the D-Mark and Dutch guilder.

Secondary prices in the French franc Eurobond market put up by two points in many issues, and three points on some bonds, in buoyant trading in the wake of the weekend devaluation of the French currency. Bankers said that bid prices only were quoted on most issues as dealers hesitated to sell in the expectation of further price rises.

The devaluation, coupled with a package of economic measures announced over the weekend, was expected to result quickly in lower French interest rates.

Last week's floating rate note issue for CNT was bid at 102½, as against a 100½ issue price, and the recent deal for Trusthouse Forte stood at 101½ bid.

The second issue of the April Eurobond calendar for the Republic of Finland is expected to be launched in the next couple of days.

In the Ecu market prices rose by up to ½ point amid mainly professional trading. Some switching out of D-Mark bonds was detected. Bankers said that, although no new issues appeared yesterday, they expected a flurry of issues once swaps became easier to arrange. Ecu interest rates are also expected to drop under the influence of declining yields in the down-value EMS currencies.

D-Mark bonds shrugged off the EMS realignment and eased slightly in moderate volume.

Westpac Banking of Australia launched its first D-Mark bond issue, for DM 250m, with Commerzbank and Westpac itself as lead managers. The proceeds of the 10-year bond, which pays a coupon of 5¾ per cent, will be swapped into fixed rate US dollars. The deal came late in the day, but was thought to be trading well within fees of 2½ per cent.

In the Swiss Franc market trading was quiet and prices eased slightly as bankers reported a surfeit of new paper.

Undeterred, three borrowers issued perpetual bonds, two incorporating the feature of coupon payments in dollars which has become something of a new issuing cliche in this market.

Nordic Investment Bank launched a SFr 300m perpetual bond, with Banque Gutzwiller, Kurz, Bungener and Morgan Stanley as lead managers. Coupon payments will be in dollars at 7½ per cent for the first ten years and thereafter at 50 basis points below the prevailing rate for 10-year US Treasuries. The exchange rate is set at SFr 1.996 to the dollar. There are borrowers' call and investors' put features every ten years.

On the same lines, but with coupons of 7½ per cent and a fixed exchange rate of SFr 2.01 to the dollar, Standard Oil of Ohio launched a SFr 200m bond. Lead manager Sordific SA said that the fact that the borrower was an oil company did not adversely affect the reception of the issue.

KLM Royal Dutch Airlines brought a perpetual issue with coupon payments in Swiss Francs. The SFr 200m bond pays 5½ per cent.

# Dismal start to week for Eurodollar sector

BY OUR EUROMARKETS STAFF

A SELL-OFF of US Treasury bonds in Tokyo yesterday morning and later in Europe and New York provided a dismal start to the week for dollar Eurobonds. Price falls in Europe were about ½ point overall, and last week's new offerings were floundering, with Friday's $100m issue for Campbell Soup quoted 2½ points below issue price, Clare Pearson writes.

Nevertheless, traders continued to feel that there was an underlying bullish tone in the market which should make itself apparent later this week. The New York market was beginning to recover as London closed.

Five new borrowers braved the Eurodollar market. Those that offered an alternative to the bevy of straight fixed rate bonds launched last week fared best.

Queensland Coal Finance took advantage of the scarcity of new paper in the floating rate note sector to launch a $300m first tranche of an eventual $400m issue, guaranteed by Bank of Tokyo Limited. The borrower is an issuing and on-lending project-finance vehicle for a venture controlled by Broken Hill Proprietary, the Australian energy and resources company.

Lead managers are Credit Suisse First Boston and Bank of Tokyo International. The issue refinances an existing FRN due to be redeemed in May and forms part, with a Euronote facility and loans, of a larger funding package.

The 10-year bond pays interest at five basis points over six-month London interbank offered rate and is priced at 100.15. Fees total 22 basis points. There is a call option on up to $40m at par this May and next, and thereafter on the full issue amount. There is the option of partial redemption at a rate of 10 per cent of the issue amount per year.

The bond was quoted above the issue price.

Suntory, the Japanese wine and spirits manufacturing and restaurant company, launched a $85m zero-coupon bond, guaranteed by Sanwa Bank. The seven-year non-callable bond was priced at 60.28 per cent to give a yield inclusive of fees of about 35 basis points over comparable Treasuries.

Some traders thought this was tight. Lead-manager Credit Suisse First Boston quoted the bond just within the fees.

In the straight fixed rate sector, Citicorp launched a $150m issue with a coupon of 8 per cent and a seven-year maturity, priced at 100½. The bond is callable after four years at par. Salomon Brothers, the lead-manager, quoted the bond at less 2½ yesterday afternoon, outside fees of 1¾ per cent. The bond was thought to suffer from reluctance among investors to buy US bank debt at the moment.

CEPME, the French financing agency for small and medium-sized businesses, is raising $100m with a ten-year deal brought out late in the day by Salomon Brothers. It has a 7½ per cent coupon and a price of 100¼, giving a spread over Treasuries of 45 basis points.

Avco Financial Services, an Australian unit of the US company of the same name, launched a A$40m deal with a seven-year maturity, quite long for the sector. Led by Orion Royal Bank, it has a 13½ per cent coupon and 101 pricing.

# Screen system considered for Eurobonds

BY OUR EUROMARKETS STAFF

THE Association of International Bond Dealers (AIBD) is planning a joint study with the National Association of Securities Dealers (NASD) on setting up a screen-based quotation and trading system for the Eurobond market.

A proposal for the study, on a much more ambitious scale than that previously envisaged, will be put to the annual meeting of the AIBD in Singapore next month.

The establishment of more formalised trading methods is a priority for the AIBD because it expects to be recognised as an investment exchange in the new self-regulatory structure being formed for London securities markets.

It has been considering for some time the creation of a screen system similar to the NASDAQ automated quotation system operated for the US over-the-counter equity market by the NASD. The cost of the NASD study is a major reason why the AIBD is planning an additional levy of SFr 2,500 per member firm (£1,253) this year, on top of the membership fee of SFr 1250 already approved.

For 1987, it is proposing a membership fee of SFr 5,000 for each of its 800 member firms—still a relatively modest amount by the standards of comparable professional bodies.



## FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market. *Closing prices on April 7*

| US DOLLAR STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Amoco Co. 9⅝ 16 | 200 | 102½ | 102⅞ | −0⅝ | +0⅜ | 9.48 |
| Atlan. Richfield 10⅛ 00 | 250 | 109 | 109½ | −0⅝ | +1⅛ | 9.06 |
| Australia Com. 11 95 | 200 | 117½ | 118 | −0⅛ | +0⅛ | 8.17 |
| Australia Com. 11¾ 00 | 100 | 119⅛ | 119⅝ | −0⅛ | +0⅛ | 8.80 |
| BP Capital 9½ 94 | 100 | 103 | 103½ | −0⅛ | −0⅛ | 9.54 |
| BP Capital 11⅛ 92 | 150 | 110½ | 111 | −0⅛ | +0⅛ | 8.68 |
| Campbell Soup 10½ 95 | 100 | 113⅛ | 113⅞ | −0⅛ | +0½ | 8.35 |
| Canada 9 96 | 1000 | 107⅞ | 107⅝ | −0⅛ | +1 | 7.90 |
| Canada 11½ 90 | 500 | 112⅛ | 112⅞ | −0⅛ | +0⅛ | 7.69 |
| Canadian Pac. 10⅜ 93 | 100 | 109½ | 110 | −0⅛ | +0⅞ | 8.85 |
| CEPME 10½ 91 | 100 | 108 | 108½ | −0⅛ | −0⅞ | 8.21 |
| Citicorp 10 88 | 200 | †104⅛ | 104⅝ | −0½ | +0⅛ | 7.82 |
| Citicorp 10⅜ 95 | 200 | †105 | 105½ | −0⅛ | −0⅛ | 9.72 |
| Credit Lyonnais 9 91 | 200 | 103⅞ | 104⅛ | −0⅛ | −0⅛ | 7.93 |
| Credit National 9⅝ 93 | 150 | 105⅛ | 105⅝ | −0⅛ | 0 | 8.04 |
| Denmark Kgdm. 11⅛ 89 | 100 | 109⅛ | 109⅝ | +0⅛ | +0⅛ | 7.91 |
| Denmark Kgdm. 11½ 90 | 100 | 111⅝ | 112⅛ | −0⅛ | +0⅛ | 8.00 |
| Denmark Kgdm. 11½ 92 | 100 | 114⅛ | 115⅛ | −0⅛ | −0⅛ | 8.24 |
| EDC 8½ 92 | 100 | 102⅝ | 103⅛ | −0⅛ | −1⅛ | 7.88 |
| EDF 10 95 | 225 | †108⅝ | 109⅛ | +0⅛ | +0⅛ | 8.57 |
| EEC 8⅝ 91 | 150 | 103½ | 104 | 0 | 0 | 7.67 |
| EEC 9⅝ 90 | 350 | 104⅝ | 105⅛ | −0½ | −0⅛ | 8.17 |
| EIB 10⅜ 94 | 200 | 109⅝ | 110⅛ | −0⅛ | −0⅛ | 8.57 |
| EIB 12 95 | 200 | 122⅜ | 122⅞ | −0⅛ | +0⅛ | 8.33 |
| Eli Lilly 10⅛ 92 | 150 | 111⅝ | 112⅛ | −0⅛ | +0⅛ | 7.85 |
| Equit. Lrd. Rlty. 10½ 97 | 100 | 109⅛ | 109⅞ | 0 | +0⅛ | 9.12 |
| Export Dev. Cpn. 10 90 | 100 | 108 | 108½ | −0⅛ | +0⅛ | 7.60 |
| Fed. Dep. Strs. 10⅜ 95 | 100 | 111⅛ | 111⅝ | −0⅛ | +0½ | 8.29 |
| Ford Motor Crd. 10½ 91 | 150 | 108⅛ | 108⅝ | −0⅛ | +0⅛ | 8.54 |
| Ford Motor Crd. 11⅛ 90 | 100 | 109⅛ | 109⅝ | −0⅛ | −0⅛ | 8.36 |
| Gen. El. Cred. 10⅛ 00 | 200 | 105⅛ | 105⅝ | −0⅛ | −0⅛ | 9.45 |
| GMAC 10⅛ 89 | 200 | 106 | 106½ | −0⅛ | 0 | 7.93 |
| GMAC 10⅝ 92 | 250 | 108 | 108½ | −0½ | −0⅛ | 8.54 |
| IADB 9⅞ 95 | 200 | 109⅞ | 110⅛ | −0⅛ | −0⅛ | 8.31 |
| IADB 10½ 95 | 150 | 113⅝ | 114⅛ | −0⅛ | +0⅛ | 8.29 |
| Kellogg Co. 10⅞ 90 | 100 | 106⅝ | 107⅛ | −0⅛ | −0⅛ | 8.60 |
| Kellogg Co. 11⅛ 92 | 100 | 110⅝ | 111⅛ | −0⅛ | +0⅛ | 8.74 |
| Nippon Cr. Bk. 10⅝ 95 | 150 | 114⅛ | 114⅝ | −0⅛ | +0⅞ | 8.37 |
| Pillsbury Co. 10⅛ 93 | 100 | 106⅞ | 107⅜ | −0⅛ | −0⅛ | 8.88 |
| Proct & G. 'A' 9⅞ 92 | 150 | 105½ | 106 | +0⅛ | +0⅛ | 8.70 |
| Pru Realty S. 12⅛ 95 | 546 | 116⅛ | 116⅝ | −0½ | −0⅛ | 9.28 |
| Qantas Airways 10⅜ 95 | 140 | 113⅝ | 114⅛ | −0⅛ | +1⅛ | 8.17 |
| Queensld. Gvt. 10⅛ 95 | 100 | 112⅜ | 112⅞ | −0½ | +0⅛ | 8.26 |
| Ralston Purina 11⅛ 95 | 150 | 118⅛ | 118⅝ | 0 | 0 | 8.70 |
| Saab Scania 9½ 91 | 125 | 104⅛ | 104⅞ | −0⅛ | −0⅛ | 8.29 |
| Saskatchewan 10⅜ 92 | 100 | 112½ | 113 | −0⅛ | −0⅛ | 7.94 |
| Scandinavia Air 10⅛ 95 | 150 | 110½ | 111 | −0⅛ | +1 | 8.44 |
| State Bk. S. Au. 9⅛ 93 | 100 | 104⅞ | 104⅝ | −0½ | +0⅛ | 8.27 |
| Statoil 10 90 | 170 | 107⅛ | 107⅝ | −0⅛ | −0⅛ | 7.86 |
| S. Wales Trsy. 11⅛ 90 | 150 | 111⅛ | 111⅝ | −0½ | −0⅛ | 8.30 |
| Swed. Exp. Cred. 10 92 | 100 | 109⅜ | 109⅞ | −0⅛ | +0½ | 7.96 |
| Sweden 8⅛ 96 | 200 | 104⅞ | 105⅛ | −0⅛ | −1⅞ | 7.98 |
| Sweden 10⅜ 92 | 250 | 110⅞ | 111⅛ | −0⅛ | +0⅛ | 8.01 |
| Sweden Kgdm. 10⅞ 90 | 200 | 110 | 110½ | −0⅛ | −0⅛ | 7.85 |
| Sweden Kgdm. 11⅛ 94 | 100 | 115⅞ | 116⅛ | −0⅛ | +0⅛ | 8.98 |
| Tenneco Cpn. 10⅜ 95 | 150 | †107⅞ | 108⅜ | −1⅛ | −0⅛ | 9.38 |
| Utd. Tech. Fin. 10⅛ 95 | 100 | 111⅛ | 111⅝ | −0⅛ | +0⅛ | 8.77 |
| Victorian Rep. 11⅛ 92 | 150 | 114⅞ | 115⅜ | −0⅛ | +0⅛ | 8.33 |
| World Bank 9⅛ 2016 | 300 | 108⅜ | 109⅛ | −2 | −3½ | 8.42 |
| World Bank 9⅝ 2016 | 300 | 110⅜ | 111⅛ | −2 | 0 | 8.70 |
| World Bank 10⅜ 95 | 300 | 113⅝ | 114⅞ | −0½ | 0 | 7.95 |

Average price changes...On day −0½ on week 0

| DEUTSCHE MARK STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Asian Dev. Bank 8 94 | 200 | 108⅜ | 108⅞ | −0⅛ | +0⅛ | 6.63 |
| Austrian Elec. 6½ 95 | 150 | 101⅝ | 102⅛ | −0⅛ | +0⅛ | 6.21 |
| Copenhagen 7⅝ 95 | 150 | 104⅞ | 105⅛ | +0⅛ | +1⅛ | 6.58 |
| Dow Chemical 6⅝ 95 | 300 | 104⅞ | 104⅝ | 0 | +0½ | 6.12 |
| EIB 6¾ 95 | 300 | 106 | 106½ | −0⅛ | +0⅞ | 6.00 |
| EIB 7¾ 94 | 300 | 105⅝ | 105⅞ | −0⅛ | 0 | 6.39 |
| Embart Con. 6⅝ 95 | 175 | 101 | 101½ | −0⅞ | −0⅞ | 6.56 |
| Ex. Im. Bk. Korea 7⅝ 90 | 100 | 101½ | 102 | 0 | −0⅛ | 7.12 |
| Finland Republic 7 92 | 200 | 104 | 104½ | −0⅛ | −0⅛ | 6.10 |
| Gould Int. Fin. 7⅜ 91 | 100 | 103⅝ | 104⅛ | −0⅛ | −0⅛ | 6.66 |
| Heron Intl. Fin. 7⅛ 95 | 100 | 100 | 100½ | −0⅛ | +1⅛ | 7.20 |
| Hoesch Intl. Fin. 7 95 | 100 | 103⅛ | 103⅝ | 0 | +0⅛ | 6.52 |
| Ireland 8⅝ 92 | 150 | 108 | 108½ | +0⅛ | 0+⅛ | 6.45 |
| I/S Elsam 6⅞ 93 | 125 | 99⅝ | 100⅛ | −0⅛ | +0⅛ | 6.74 |
| Japan Fin. Con. 7⅝ 91 | 100 | 105⅝ | 105⅞ | 0 | −0⅛ | 6.33 |
| Mtsbshi M. 3⅝ 89 WW | 100 | 108 | 108½ | −1⅛ | +1⅛ | 0.85 |
| Mtsbshi. M. 3⅝ 89 XW | 100 | 94 | 94½ | −0⅛ | +1⅞ | 4.85 |
| Quebec Hydro 7⅝ 95 | 200 | 105⅞ | 106⅛ | −0½ | −0⅛ | 6.23 |
| Renfe 7⅝ 95 | 100 | 105⅞ | 106⅜ | −0⅛ | +0⅛ | 6.83 |
| Soc. C. Nuclear 7⅛ 95 | 150 | 103½ | 104 | 0 | +0⅛ | 6.69 |
| Soc. C. Nuclear 8 91 | 100 | 106⅝ | 107⅛ | +0⅛ | +1⅛ | 6.39 |
| S. African Tran. 7⅝ 92 | 100 | 96⅛ | 96⅝ | −0⅛ | +0⅛ | 8.31 |
| World Bank 7 95 | 600 | 107⅛ | 107⅝ | −0½ | +1½ | 5.93 |

Average price changes...on day −0⅛ on week +0½

| SWISS FRANC STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Avon. Cap. Cpn. 5⅝ 94 | 130 | †100⅝ | 101 | −1 | −1 | 5.24 |
| Br. Land. Comp. 6½ 99 | 75 | *†104½ | 104⅞ | −0½ | −0⅛ | 5.99 |
| Chrysler 5⅝ 96 | 160 | †102 | 102⅛ | +0⅛ | −3 | 5.47 |
| Council of Europe 6 92 | 120 | †104 | 104⅛ | +0½ | −1 | 5.24 |
| Creditanstalt 5½ 94 | 100 | †102 | 102⅛ | −0⅛ | −2 | 5.19 |
| Deutsche Bk. F. 5⅝ 95 | 100 | †105 | 105⅛ | −1 | +1 | 4.85 |
| Gen. Occidentale 4½ 94 | 80 | †125⅛ | 125½ | +6 | +6⅛ | 1.38 |
| Glendale F. S&L 6½ 95 | 100 | †99½ | 99⅞ | 0 | 0 | 5.55 |
| Ind. F. Finland 5⅝ 94 | 40 | *†102⅛ | 102⅝ | 0 | 0 | 5.40 |
| Int. Am. Dv. Bk. 6⅛ 94 | 120 | †103⅛ | 103½ | +0⅛ | 0 | 5.61 |
| N. Zealand Steel 5½ 96 | 70 | *†101 | 101⅛ | 0 | +0½ | 5.60 |
| Oberos. Kftwk. 5⅝ 95 | 100 | †101⅛ | 101½ | −0⅛ | 0 | 5.17 |
| Olivetti Intl. 5½ 95 | 100 | †102⅝ | 103 | 0 | +0⅛ | 5.10 |
| Pepsico 5⅛ 96 | 130 | †103½ | 103⅛ | −0½ | −1 | 4.74 |
| Phibro-Salomon 5⅛ 97 | 110 | †100⅛ | 100⅝ | 0 | −1½ | 5.05 |
| Ralston Purina 5½ 94 | 125 | †102½ | 102⅝ | +0⅛ | +1½ | 4.99 |
| Settsu Euro. 2001 | 100 | †53⅛ | 53⅝ | — | — | 4.38 |
| Tokyo Elec. Pr. 5½ 93 | 120 | †104 | 104⅛ | +0½ | +0⅛ | 4.77 |
| Tokyo Metropolis 5⅛ 94 | 80 | †102 | 102⅛ | −0⅛ | 0 | 4.94 |
| World Bank 5⅞ 94 | 150 | †105½ | 105⅛ | 0 | +1½ | 4.93 |

Average price changes... On day +0⅛ on week 0

| YEN STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| Denmark 6⅝ 96 | 10 | 100⅛ | 100⅝ | +0⅛ | −0⅞ | 6.30 |
| EIB 6⅛ 96 | 25 | 100⅜ | 100⅞ | +0⅛ | −0⅛ | 6.04 |
| Postipanki 6⅝ 96 | 10 | 102 | 102½ | −0⅛ | −1⅛ | 6.31 |
| Procter & Gamble 6 91 | 25 | 99⅛ | 99⅝ | 0 | −0⅞ | 6.14 |
| Swed. Exp. Crd. 6⅝ 96 | 10 | 102 | 102½ | 0 | −0⅞ | 6.31 |

Average price changes... On day 0 on week −0⅞

| OTHER STRAIGHTS | Issued | Bid | Offer | Change on day | Change on week | Yield |
|---|---|---|---|---|---|---|
| A. & NZ Bk. 15⅛ 90 A$ | 50 | 106⅝ | 107⅛ | 0 | −0⅛ | 12.85 |
| BMW Finance 13 90 A$ | 50 | †103½ | 104½ | +0⅛ | 0 | 11.76 |
| Fiat Finance 14½ 89 A$ | 50 | 102⅛ | 103⅛ | 0 | 0 | 13.17 |
| LB Schleswg. 14⅛ 91 A$ | 30 | †104⅛ | 105½ | 0 | −0⅛ | 12.73 |
| Amex 10⅜ 90 C$ | 50 | *†106⅜ | 106⅞ | −0½ | +0½ | 8.78 |
| Canad. Pac. 10⅛ 90 C$ | 75 | *106⅛ | 106⅝ | −0⅛ | +1⅛ | 8.56 |
| CIBC 10⅜ 90 C$ | 75 | *†104⅛ | 104⅝ | +0⅛ | +1 | 9.44 |
| Genstar Fin. 11⅛ 95 C$ | 75 | *†105½ | 106 | +0½ | +1 | 10.72 |
| Montreal 11½ 95 C$ | 75 | *107⅛ | 108⅛ | −0⅛ | +0⅛ | 10.11 |
| Ryl. Trustco 10⅛ 90 C$ | 75 | *103⅜ | 103⅞ | −0½ | +1⅛ | 9.35 |
| Sears Acc. 10⅛ 92 C$ | 75 | *†105 | 105½ | +0⅛ | +1 | 9.48 |
| Coca-Cola F. 17 90 NS | 75 | 105½ | 106 | +0⅛ | −0½ | 14.56 |
| Denmark 17½ 89 NS | 50 | *98⅛ | 99⅛ | −0⅛ | −0⅛ | 18.08 |
| Unilever Cp. 17½ 89 NS | 50 | 98⅜ | 98⅞ | −0⅛ | +0⅛ | 17.97 |
| Copnhagn. C. 9 95 Ecu | 40 | 110⅞ | 111⅛ | +0⅛ | +4½ | 7.33 |
| EIB 8⅛ 93 Ecu | 180 | †107⅞ | 108⅛ | — | — | 7.10 |
| Walt Disney 8⅞ 94 Ecu | 53 | 108⅜ | 108⅞ | +0⅛ | +1 | 7.52 |
| Honda WW 3⅞ 90 Fl | 100 | †109 | 109½ | +0⅛ | +3⅛ | 1.4[illegible] |
| Honda XW 3⅞ 90 Fl | 100 | †92 | 92½ | +0⅛ | +0⅛ | 6.14 |
| Thyssen 7⅛ 90 Fl | 50 | †103 | 103½ | +0⅛ | 0 | 6.37 |
| Wereldhave 7½ 90 Fl | 75 | †103⅛ | 104⅛ | +0⅛ | +0⅛ | 6.40 |
| Wessanen 6⅞ 90 Fl | 50 | †103½ | 104⅛ | +3 | +3 | 5.70 |
| NERSA 9⅝ 96 FFr | 500 | †107⅛ | 108⅛ | — | — | 8.53 |
| Amev 11 93 £ | 50 | 105 | 105⅜ | −0½ | −0½ | 9.85 |
| Australia Com. 11 92 £ | 40 | †104⅛ | 105⅛ | 0 | −0⅛ | 9.85 |
| GMAC UK F. 10½ 90 £ | 30 | †103 | 104 | 0 | +0⅛ | 9.43 |
| Imp. Ch. Ind. 11⅛ 95 £ | 100 | 106⅝ | 107⅛ | 0 | −1⅛ | 10.05 |
| Imp. Ch. Ind. 10⅛ 92 £ | 75 | 103 | 103½ | −1⅛ | −0⅛ | 10.52 |
| Leeds Bld. S. 10½ 91 £ | 50 | 100⅛ | 101⅛ | — | — | 10.24 |
| McDonalds 10⅞ 90 £ | 40 | 102⅞ | 103⅛ | −0⅛ | −0⅛ | 9.88 |
| Mtsbshi. F. HK 11 90 £ | 50 | 102⅞ | 103⅛ | +0⅛ | 0 | 10.02 |
| Nat'nwide BS 10⅛ 93 £ | 75 | 99⅞ | 100⅛ | — | — | 10.71 |
| NSW Treasy. 10⅛ 92 £ | 50 | 102½ | 103⅛ | −0⅛ | −0½ | 10.01 |
| Royal Ins. 10⅛ 92 £ | 60 | 102⅝ | 103 | 0 | −0⅛ | 10.12 |
| J. Sainsbury 10⅞ 93 £ | 80 | 103 | 103⅛ | −0⅛ | −0½ | 10.14 |
| Tricentrol XW 11 92 £ | 35 | *†77 | 77½ | −2 | −2⅛ | 17.19 |
| Tsthse. Forte 11⅛ 90 £ | 50 | 102⅝ | 103⅛ | +0⅛ | −0⅛ | 10.20 |
| World Bank 11⅛ 95 £ | 100 | 111⅝ | 111⅞ | −0⅛ | +0⅛ | 9.29 |
| COE 8⅞ 95 LFr | 600 | †105 | 105½ | +1⅛ | +1 | 8.05 |
| N. Lux. Al. 10½ 92 LFr. | 600 | 103⅛ | 103⅝ | +0⅛ | 0 | 9.72 |

| FLOATING RATE NOTES | Spread | Bid | Offer | C.dte | C.cpn |
|---|---|---|---|---|---|
| Anglia Bldg. S. 5 96 £ | 0⅛ | 99.88 | 100.07 | 14/4 | 11⅛ |
| Barclays Bank Perp. 1 | §0⅛ | 100.21 | 100.31 | 19/8 | 8.06 |
| Barclays Bank Perp. 2 | §0⅛ | 100.69 | 100.79 | 10/7 | 8.05 |
| Belgium, Kngdm. of 91 | 0 | 100.14 | 100.44 | 2/7 | 8⅛ |
| BNP 5⅛ 95 | 0.06 | 100.06 | 100.38 | 14/8 | 8⅛ |
| Britannia 5 93 £ | 0⅛ | 99.86 | 99.94 | 8/4 | 11½ |
| CCF 5⅛ 97 | 0 | 99.36 | 99.46 | 5/4 | 8.06 |
| Citicorp 5 2005 | 0⅛ | 99.31 | 99.41 | 27/3 | 8.04 |
| Credit Lyonnais 5 2000 | 0⅛ | 100.30 | 100.53 | 10/7 | 8.06 |
| EEC 3 92 DM | 0 | 99.98 | 100.05 | 20/8 | 4.44 |
| EEC 5 90 | 0⅛ | 100.03 | 100.21 | 8/7 | 8.06 |
| EEC 5⅛ 93 Ecu | 0.0312 | 99.91 | 100.21 | 30/4 | 9.91 |
| Ireland 5⅛ 97 | 0⅛ | 100.26 | 100.36 | 28/2 | 8.44 |
| Lloyds Bank Perp. | 0⅛ | 100.20 | 100.43 | 9/6 | 8½ |
| Midland Bk. Perp. 5 | 0⅛ | 100.08 | 100.32 | 19/6 | 8½ |
| Milk Mkt. Board 5 93 £ | 0⅛ | 99.90 | 99.99 | 17/6 | 12.31 |
| NatWest Perp. A | §0⅛ | 100.15 | 100.35 | 9/7 | 8.31 |
| NatWest Perp. B | §0⅛ | 100.17 | 100.37 | 9/8 | 8⅛ |
| New Zealand 5 97 £ | 0.07 | 99.87 | 99.97 | 16/3 | 11.67 |
| New Zealand 5 2001 | 0 | 100.19 | 100.29 | 4/8 | 8⅛ |
| Prudential Cpn. 4 95 £ | 0.1 | 99.72 | 99.82 | 5/3 | 11.78 |
| R. Bk. Scotland 5 Perp. | 0⅛ | 100.08 | 100.38 | 11/6 | 8.44 |
| United Kingdom 5 92 | 0 | 99.95 | 100.04 | 7/7 | 8.06 |
| Woodside Fin. 5⅛ 97 | 0 | 99.53 | 99.63 | 28/7 | 8.19 |
| Woolwich 5 95 £ | 0⅛ | 99.82 | 99.90 | 19/5 | 11.69 |

Average price changes... On day +0.04 on wk. +0.05

| CONVERTIBLE BONDS | Cnv. date | Cnv. price | Bid | Offer | Chg. day | Prem |
|---|---|---|---|---|---|---|
| Ajinomoto 3 99 | 4/84 | 1053 | 196⅛ | 197⅛ | +0⅛ | 7.94 |
| Comcast 7 2000 | 12/86 | 23.87 | *†120½ | 122 | −1 | 14.06 |
| Fanuc 3⅛ 98 | 1/84 | 7032 | 227⅛ | 229⅛ | +6⅛ | 66.62 |
| Fuji Hvy. Inds. 3 2000 | 8/85 | 678 | 108 | 109½ | −0⅛ | −0.11 |
| Fujitsu 3 99 | 5/84 | 1320 | 121 | 122 | −1 | 15.74 |
| Kumagai Gumi 3½ 2000 | 3/85 | 800 | †211 | 212 | −0½ | 7.64 |
| Marui 3½ 99 | 7/84 | 1162 | 230½ | 232½ | +1½ | 1.26 |
| Minolta Cm. 2⅛ 94 DM | 2/86 | 1105 | 100⅞ | 101⅛ | −0⅛ | 28.05 |
| Mitsubishi Bank 2⅞ 99 | 6/85 | 1766 | 116 | 117 | −1 | −1.68 |
| Mitsubishi Elec. 2⅞ 00 | 3/85 | 422 | 124½ | 125½ | +0½ | 2.09 |
| Mitsui Bank 2⅛ 01 | 4/86 | 101.9 | 102⅛ | 103⅞ | −3 | −90.12 |
| Murata 3½ 2000 | 7/84 | 2298 | 152⅛ | 153⅛ | +0⅛ | 18.93 |
| Nippon Elec. 2⅞ 2000 | 1/85 | 1295 | 148 | 149 | −3½ | 77.09 |
| Nippon Oil Co. 3 2000 | 5/85 | 923 | 143½ | 144⅛ | −0⅛ | −0.04 |
| OKI Elec. Ind. 3½ 99 | 10/84 | 805 | 117⅞ | 118⅞ | −0⅛ | 4.51 |
| Sanwa Bank 2⅛ 2000 | 10/85 | 1486 | 122 | 123 | −1⅛ | 0.12 |
| Sekisui House 3 99 | 6/84 | 812 | 219⅞ | 220½ | −9⅛ | 2.22 |
| Sumitomo Bk. 2⅛ 2000 | 8/85 | 2142 | 117½ | 118½ | −5 | −1.53 |
| Sumitomo Cpn. 2⅞ 99 | 5/84 | 583 | 175 | 176 | −0½ | 10.29 |
| Taiyo Yuden 3⅛ 2000 | 3/85 | 1078 | †130 | 131 | −0⅛ | −2.44 |
| Tokyo S'yo El. 3½ 99 | 12/84 | 772 | 105⅛ | 105⅝ | +0⅛ | 6.10 |
| Toshiba Crmcs. 3 2000 | 4/86 | 1734 | 111⅛ | 112⅛ | −4⅛ | −0.98 |
| Nippon Oil 2⅛ 92 SFr | 3/84 | 1052 | †109⅛ | 110⅛ | −1⅛ | 4.40 |
| Nip. Shinpan 2 92 SFr | 3/84 | 801 | †173 | 174 | −1 | 11.69 |
| Asics 5 92 DM | 12/83 | 520 | 120½ | 121½ | −0⅛ | 6.77 |
| Renown 3⅛ 90 DM | 3/86 | 675 | 131⅛ | 132⅛ | +2⅛ | −1.73 |

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.



The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Akroyd and Smithers; Bank of Tokyo International; Chemical Bank International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC Amro Bank; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; LTCB International; Merrill Lynch; Morgan Stanley International; Nikko Securities Co. (Europe); Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Swiss Bank Corporation International; Wood Gundy.

# New A$2bn Bell offer for BHP

BY LACHLAN DRUMMOND IN SYDNEY

BELL RESOURCES, Mr Robert Holmes à Court's energy investment vehicle, yesterday launched a further partial bid for Broken Hill Proprietary (BHP), Australia's largest company.

He is offering up to A$2bn (US$1.44bn) to lift his holding to as much as 40 per cent from his current entitlement of some 19 per cent. The bid, in contrast to previous forays, has been made all in cash.

It is priced at the same A$7.70 per share level which Mr Holmes à Court proposed paying earlier this year. That attempt foundered amid a series of legal actions brought by BHP, but coincided with a decline in the share price of the target company as world oil values fell.

BHP shares closed 2 cents higher in Sydney at A$6.58 ahead of details of the latest expected bid.

BHP said last night it believed the offer was inadequately priced and, because of the cash ceiling and degree of financial details, was as deficient as the bid withdrawn last month.

The company is expected to return to the courts in an effort to halt the bid, which is formally targeted at 50 per cent of each remaining shareholding but financially capable of winning only 26 per cent of each holding. All acceptances will be returned should Bell find more than 259.74m shares tendered to its offer.

BHP's chances of upsetting the financing of the offer by using its own newly established shareholding base in Bell Resources has been diminished.

This follows Bell's decision to seek equity funding for the bid through a rights issue for up to A$700m rather than through a placement which would require shareholder approval.

Of the issue, A$370m has been underwritten by an international group: Swiss Bank Corporation International, Ord Minnett, Lazard Brothers, and Banque Paribas Capital Markets. Their commitment is conditional on Bell achieving success within a few weeks.

In launching the bid in Melbourne yesterday, Mr Holmes à Court asked the BHP board to negotiate with him instead of seeking litigation.

Mr Brian Loton, BHP's managing director, said negotiations with Mr Holmes à Court were unlikely, alleging that "most of the statements he makes do not have much validity" and his last bid for the company had been "invalid, misleading and unlawful."

Bell's minimum acceptance condition in the bid for 230m more BHP shares would take the group entitlement to almost 33 per cent of capital. The maximum acceptance condition has been set at 259.74m shares, worth A$2bn at the bid price, while a successful bid for 50 per cent of each shareholding would require A$3.9bn.

Mr Holmes à Court said the bid provided as full a disclosure as was possible about financing arrangements, describing its as a "condition-free, simple proportional offer."

The bid documents reject suggestions that Bell Resources would need to use the assets of BHP in order to service and repay borrowings incurred in the takeover.

## Australian authorities veto Hoover bid for Simpson

BY OUR SYDNEY CORRESPONDENT

HOOVER, the US-owned household appliance maker, is to persevere with attempts to increase its presence in the Australian white goods industry despite a decision yesterday by the Foreign Investment Review Board (FIRB) to veto its A$53m (US$38m) bid for Simpson Holdings.

The FIRB said last night that Hoover's A$1.70 a share offer for Simpson had been rejected because it believed the benefits of the takeover would not offset the extent of foreign ownership in the industry that would result.

Email, the Australian company which is Hoover's opponent in the battle for Simpson, seems likely to succeed, having yesterday agreed to match Hoover's offer price.

Hoover's advisors, warned however, that the company was contemplating other courses.

The FIRB said the decision to reject the Hoover offer had been made in light of the restructuring of the white goods industry and the fact that an Australian company had decided to match Hoover's terms.

## Brierley sells most of North Broken Hill holding

BY OUR SYDNEY CORRESPONDENT

INDUSTRIAL EQUITY (IEL), Mr Ron Brierley's Australian company, has sold most of its A$200m (US$143.6m) holding in North Broken Hill Holdings to the investment affiliate of New Zealand Forest Products.

The deal apparently resolves the ownership tangle created by an earlier court ruling to vest a disputed part of IEL's shareholding with the National Companies and Securities Commission.

Rada Corporation, 49 per cent owned by NZFP, agreed to buy a 14.9 per cent stake in North BH at A$2.70 a share and was immediately offered two board seats with the mining and paper group. The sale of IEL's remaining 4 per cent stake is being negotiated with other parties.

Mr Brierley said yesterday he was "happy about the sale in so far as it represents the partial resolution of a very difficult situation—that's about it."

Asked how the deal with Rada was done, given that a 7 per cent parcel of shares in North BH was vested by court order with the NCSC, Mr Brierley said bluntly: "We sold them."

# KLSE lifeboat proposal fails

BY WONG SULONG IN KUALA LUMPUR

THE Kuala Lumpur Stock Exchange (KLSE) has failed to win members' approval for a 50m ringgit ($18.8m) financial lifeboat from Malaysian commercial banks to help stockbrokers who are in trouble over forward share purchase contracts.

At an extraordinary meeting, 70 per cent of those present voted in favour of the fund, short of the 75 per cent required for its implementation.

Mr Nik Mohamed Din, the KLSE chairman who is a strong supporter of the fund, expressed disappointment over the result but said another meeting would be held in three weeks at which the subject would be debated again.

He said about 27 of the 133 stockbrokers did not attend the meeting, and he was confident many of them would be won over for the lifeboat fund once the matter had been fully explained.

Under its terms, a stockbroking firm which makes use of the fund would be required to give an unlimited guarantee to the banks, while those which do not use the facility have to provide a guarantee of not more than 1m ringgit.

Firms which use the facility have to contribute at least half their net profits to service the fund, while other firms are required to make smaller payments, depending on how much of the facility has been drawn.

It is believed that five of the 51 Malaysian stockbroking firms are saddled with forward contracts.

## Philippines to sell copper smelter stake

By Leo Gonzaga in Manila

THE PHILIPPINE state-owned National Development Company (NDC) is to offer its 42 per cent equity stake in Philippine Associated Smelting and Refining (Pasar) to the private sector.

This was announced by Mr Jose Concepcion, Trade and Industry Minister, who is NDC's chairman.

Pasar, the country's only copper smelter-refiner, is located in Isabel on Leyte Island, east central Philippines. It has three Japanese trading houses as partners — Marubeni Corporation with a 16 per cent interest, Sumitomo Corporation with 9.6 per cent and C. Itoh with 6.4 per cent.

The International Finance Corporation, an offshoot of the World Bank, has 5 per cent, with the remainder held by local copper producers.

NDC is also expected to sell its 60 per cent holding in Negros Copperfield.

# Sharply higher loss at Putco

BY JIM JONES IN JOHANNESBURG

PUTCO, the South African bus company whose operations are largely based on carrying black commuters, suffered a sharply increased deficit in the half year to December even though the state provided additional subsidies to cover losses which arose as township unrest led to curtailment of services.

On revenues of R145m ($69.4m) against R121m, the attributable loss rose to R19.7m from R2.4m in the corresponding period of 1984 and R8.4m in the last full year.

The state subsidised Putco's operations until the end of September and the directors hope that the subsidy will be extended and that further fare increases will be avoided. Fare increases are particularly resented by blacks — who are obliged to commute from townships which are frequently remote from workplaces — and are often accompanied by violent action by commuters.

The directors say operations suffered from competition from informal private sector operators of minibuses and illegal taxis. Although the Government has tried to curb these activities, in part to shelter the state-owned railway system's black commuter services, minibuses operated by black entrepreneurs are one of the principal black small business growth areas.

Putco's interim loss per share was 74.4 cents against 9 cents at the half-way stage last year and a loss of 31.9 cents a share for last year as a whole. An interim dividend has not been declared. In the previous year there was an interim dividend of 3 cents, but no final dividend.



# Acquisition boosts Altech

BY OUR JOHANNESBURG CORRESPONDENT

ALLIED TECHNOLOGIES (Altech), the South African electronics and electrical company, has maintained its strong growth record, helped by the acquisition of Motorola's South African business.

Turnover rose to R493.3m ($236m) in the year to February from R410.7m and the pre-tax profit increased to R89m from R77.9m.

Last year management feared that deferral of government orders would adversely affect the year's trading. The deferrals did not materialise, probably because military spending continues to receive priority treatment, although the curtailment of post office spending curbed the telecommunications division's profits.

The acquisition of the Motorola operations in September has considerably strengthened Altech's position in the electronics sector, said Mr Bill Venter, the chief executive.

Mr Venter is optimistic about the current year and says that efforts to penetrate additional electronics markets have been successful. He says further acquisitions and vigorous internal growth are envisaged by management.

Earnings per share increased to 482.2 cents from 401.5 cents and the dividend has been raised to 150 cents from 125 cents.

# UK COMPANY NEWS

## Reebok boost as Pentland profits jump to over £40m

INCLUDING a contribution of £12.5m from Reebok International — formerly a subsidiary but an associate since last July — pre-tax profits of **Pentland Industries**, industrial holding concern, jumped from £12.9m to £40.24m for 1985. Turnover more than doubled from £115.3m to £246.4m.

The dividend is, in effect, into 1.5p with a final payment creased from an adjusted 0.867p of 1.16p.

After tax of £18.42p, compared with £5.28m, earnings per 10p share are given as 35.29p against 10.69p.

The directors say that earnings for the first quarter of the current year have, pro rata, significantly improved over those for the second half of 1985, and they believe 1986 should be a year of substantial progress.

Last July, Pentland reduced its holding in Reebok from 55.5 per cent to just over 40 per cent in a public offering of shares.

There was a non-distributable surplus for 1985 of £11.1m which has been credited directly to reserves and represents the company's share of the increase in the reserves of Reebok arising from the issue of new shares at a premium.

Below the line, there were minority debits of £5.41m, against £2.64m, and an extraordinary profit of £3.88m (nil) being the net surplus on the realisation of investment in subsidiary and associate companies.

For 1985, Reebok made pre-tax profits of £54.04m (£10.5m) from turnover up from £56.9m to £212.4m.

### • comment

Moving Reebok from subsidiary to associate status obviously makes a mess of pre-tax comparisons but at the attributable line its contribution to Pentland's earnings has shot up from around £3m to £12½m. It makes the rest of the group, which actually doubled profits to £4m after tax, look sluggish by comparison. Clearly a point will be reached when Reebok's phenomenal growth tails-off but it has already demonstrated that it can move into mature footwear markets from a standing start and become a leader. For example, it started selling tennis shoes in the US in 1984 and now has the number one slot. At the beginning of this year Reebok sold its first pair of basket ball shoes—a big market accounting for almost 30 per cent of all sports footwear. History could repeat itself and then there is Reebok overseas. With £14m of cash Pentland is looking for further acquisitions to complement its non-Reebok activities—a fair spread with about 15 trading companies. But even without additions to the portfolio pre-tax profits could reach £50m this year for a 70 per cent leap in eps to 60p. After yesterday's 20p slide to 510p the prospective p/e drops to a lowly 8½.

## Aidcom looks to 1986 for a continuation of growth

**Aidcom International**, a market research, design and product development company, returned pre-tax profits of £1.28m for 1985 from a turnover of £26.1m.

The previous accounting period covered 14 months but the results have been annualised and at £1.27m and £20.38m respectively represents 12/14ths of the results.

A dividend of 1.1p (0.88p adjusted) is being paid from earnings per 10p share of 3.45p (2.8p).

There were extraordinary debits of £147,000 (£333,000) arising from the closure of discontinued activities.

The directors are looking to 1986 for continued growth in both turnover and profits.

In February, Aidcom acquired a 90 per cent interest in Paris-based Vepro Conseil, a marketing and market research consultancy, for £600,000 cash. Vepro made pre-tax profits of £188,000 in 1985 and is trading well in the current year.

The first quarter of 1986 saw Aidcom's turnover showing an improvement and current trading is described by the directors as encouraging.

With the closure and reorganisation programme now over they are hoping to get profits of the market research operations back to former levels in 1986—profits here fell from £414,000 to £71,000 in 1985.

Talks are currently taking place for a possible £600,000 takeover in the US in the design area.

### • comment

Aidcom International's figures fell a long way short of those expected six months ago, but the market was well prepared for the blow and the shares shed just 3p to 46p. The main bugbear was the profits collapse in the market research division where a restructuring programme brought dismissal and recruitment costs, disruption, and management distraction, but the design division also proved a disappointment with margins eroded by an increase in personnel. Only a bright performance in the product development division through AIM Technology's strong advance and a recovery in Husky profits averted a serious overall downturn. With much of the spadework on securing the foundations of further growth now complete, and a £200,000 fillip to the figures from the acquisition of Vepro in January, the current year could provide the £2.4m profits which the City had once hoped to see in 1985. The prospective p/e ratio of 98 after a 44 per cent tax charge may look conservative, but the City is slow to forgive and the shares will not be rushing to regain their previous levels.

## Midland buys back part of Crocker

By David Lascelles, Banking Correspondent

**Midland Bank is to spend up to $100m (£68.96m) to reacquire the securities trading business of Crocker National Bank, which it has agreed to sell to Wells Fargo Bank for $1.1bn.**

**The business, which includes Crocker's primary dealership in the US Treasury bond market, is seen by Midland as a vital component of its plans to build up a worldwide securities capability. It is not required by Wells Fargo, which is concentrating on developing a retail and middle market banking business in California.**

**The trading operation, employing about 200 people, is currently located in Crocker's headquarters in San Francisco, but would probably be transferred under Midland ownership to New York. Aside from the US Treasury bond dealership, it includes a municipal bond trading operation and related securities services.**

**In a letter to Midland shareholders issued yesterday, Sir Donald Barron, the chairman, says that the entire sale price will be paid in cash rather than in a mixture of cash and securities as stated in the original announcement in February.**

**The agreement also provides for Midland to buy $495m in international loans off Crocker. The bulk of these ($150m) are to Brazil, and another $135m is in the form of trade credits guaranteed by the US government. About $10m of the total are not performing. These loans are in addition to the $3bn worth Midland took out of Crocker last year, and represent the remainder of Crocker's international business.**

**The letter reveals that Midland will be paying a minimum of $3m to terminate the employment of Mr Frank Cahouet, Crocker's chairman and chief executive, who has a contract extending to March 1989. It is possible that his benefits could total as much as $4.5m.**

**A special meeting of shareholders to agree the sale terms has been called on April 28.**

### Halma buys sixth company in a year

**Halma**, safety, security and environmental products group has bought Norgan, Hertfordshire-based maker of sound meters for about £285,000 to be satisfied by the issue of 117,207 Halma 10p shares and up to £100,000 cash, depending on results.

In the year to the end of November 1985 Norgan made pre-tax profits of £108,000 on turnover of £250,000.

It is Halma's sixth acquisition in the last year. Two weeks ago it bought 51 per cent of A & G Electronics for about £2.8m. The group's policy is to buy about five companies operating in similar markets each year.

## Valin talks to Good Relations

BY RICHARD TOMKINS

**Valin Pollen International**, corporate advertising and public relations group, has been confirmed as the suitor of **Good Relations**, public relations company, which announced on Friday that it was holding merger talks with an unnamed party.

Details of the deal will not be available before the end of the week. But the two companies said that if the talks were successful the merger would be achieved through an all-share offer by Valin Pollen.

Valin Pollen, shares of which were down 10p at 205p yesterday, is the larger of the two companies with a market capitalisation of £26.3m. Good Relations' shares were suspended at its request at 178p, up 8p, giving it a capitalisation of £14.9m.

The initiative came from Valin Pollen but both companies said yesterday that they saw it as a merger, not a takeover.

They will continue to operate autonomously under their existing chairman, but they hope to benefit by exchanging specialist skills.

The board of the combined group—so far unnamed—will have Mr Tony Good, chairman of Good Relations, as its non-executive chairman and Mr Reg Valin, chairman of Valin Pollen, as group chief executive.

According to the latest issue newspaper, PR Week, the industry Good Relations is the biggest public relations company in Britain with a fee income of £5.7m, just ahead of Charles Barker with £5.65m.

Valin Pollen's income is dominated by advertising. Its revenue from public relations place it at number 15 in the PR Week table, with fee income of £1.47m. Its subsidiary McAvoy Wreford Bayley is listed separately at number 29 with income of £992,000.

The City views the proposed merger as a welcome move for Good Relations, which has suffered badly in the last year as a result of a series of executive defections.

For Valin Pollen, which has long cherished a presence in the US market, Good Relations' with its first toehold.

However, Mr Valin said this would not weaken his resolve situan in the US of a size which he regards as relevant to the market.

## Memory Computer back in black for first half

FOLLOWING losses of I£3.62m for the previous 15 months, **Memory Computer**, the Dublin-based computer manufacturer and distributor, has returned to the black with profits of I£58,000 (£52,000 sterling) for the six months ended December 31 1985. This is compared with losses last time totalling £2.2m, for the six months to September 30 1984.

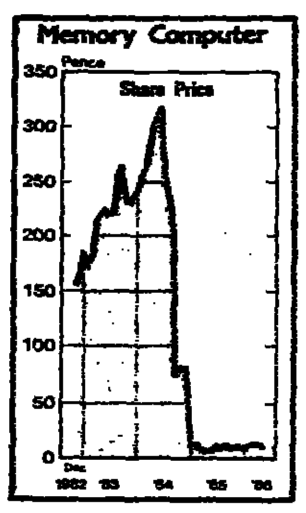
The directors say the group is trading in line with expectations, while the outlook is for continuing progress, particularly in Britain and the Republic of Ireland, where Memory has strong Prime, Olivetti and software order books.

In November the directors said that the continuing recession in Ireland had resulted in severe competition and reluctance among purchasers to commit scarce funds. They added, however, that Memory's "substantial customer base" served to mitigate these forces, giving cause for the company to expect home sales to rise.

Turnover for the 15 months to June 30 last was down from £8.19m to £7.28m, but for the first six months of the current year sales amounted to £3.58m, against £2.13m last time.

After tax of £20,000 (£18,000) there were earnings per share shown of 0.04p compared with losses of 35.8p.

The directors say that group policy on the premium on the acquisition of subsidiaries is being reconsidered and may result in the adoption of SSAP 22, in which case the premiums will be charged directly to reserves.




Memory recently acquired an 84 per cent interest in Travel-log Systems, a UK software company which develops and markets systems for the travel trade.

**BAILLIE GIFFORD** Japan Trust made net income of £48,168 (£50,635) over six months to end-February 1986. Net asset value per share at period-end was 388.7p (258.6p six months previous). The company does not pay interim dividends.

## Scottish Television profits advance 31%

IN ITS third year of strong growth **Scottish Television** saw taxable profits rise by 31 per cent on turnover ahead by 14 per cent. Advertising revenue up by 13 per cent helped turnover for 1985 increase from £56.65m to £64.96m, giving pre-tax profits of £4.84m, against £3.69m.

Earnings per 10p non-voting share came out at 32.48p (24.19p) and the directors are recommending a final payment of 6.1p (6.5p), making a total for the year of 10.5p, compared with 8.8p last time.

Sir Campbell Fraser, chairman, says that since 1983 in three consecutive years of strong growth, earnings per share have risen by 46 per cent from 22.3p despite a rights issue in 1984. He adds that the improvement in advertising sales was higher than the network average, signifying a further improvement in the company's share of revenue.

Programme sales improved by £1m to £3.6m, the increase being matched by a record level of local programme spending, a rise of about 30 per cent. Sir Campbell adds that in the light of the results the present year will see substantially increased investment in programme making and the capital spending needed to support it.

The pre-tax figure was struck after Channel 4 subscription of £9.41m (£8.09m) and Exchequer levy of £4.4m (£3.53m). The tax charge was £2.09m (£1.87m). Last time there was an extraordinary item of £2.04m covered by a transfer from reserves.

Since the beginning of the present year advertising revenue has been strong wiht the first quarter showing an improvement of 22 per cent over the comparable period. Sir Campbell says the rate of growth is not expected to continue, bearing in mind the sluggish start to 1985.

He adds that the company welcomes the changes in the rating of Exchequer levy—pre-tax is due to fall from 66.7 per cent to 45 per cent with a 22.5 per cent levy on the previously exempt profits on overseas sales—which will benefit results.

### Jurys Hotel

JURYS HOTEL GROUP, which operates hotels in Dublin, Cork and Limerick, intends to seek a full listing on the Irish Stock Exchange in the near future. It also proposes to seek additional equity by means of an offer for sale of new shares to the public. The entire proceeds of the offer for sale will be re-invested in the expansion of the company's activities. The Investment Bank of Ireland has been appointed as issuing house, and J. & E. Davy will be broker to the issue.

**PARK PLACE** has 88.5 per cent of the shares of United Computer and Technology Holdings. Acceptances of the offer accounted for 85.7 per cent (1 per cent opted for cash).

## Swedish propeller maker for Vickers

By Lionel Barber

**Vickers, the defence engineering to health products manufacturer, is poised to buy a Swedish marine engineering company, KaMeWa, at a price of between £13m-£15m.**

**Vickers said yesterday that it had signed a letter of intent with KaMeWa's parent, the Nordstjernan group, a conglomerate with interests in shipping, construction and department stores. Talks are taking place to fix a price.**

**KaMeWa specialises in making marine propellers. According to Vickers, the Swedish company has around 30 per cent of the world marine propulsion market, excluding fixed propellers. Its annual turnover is around £50m.**

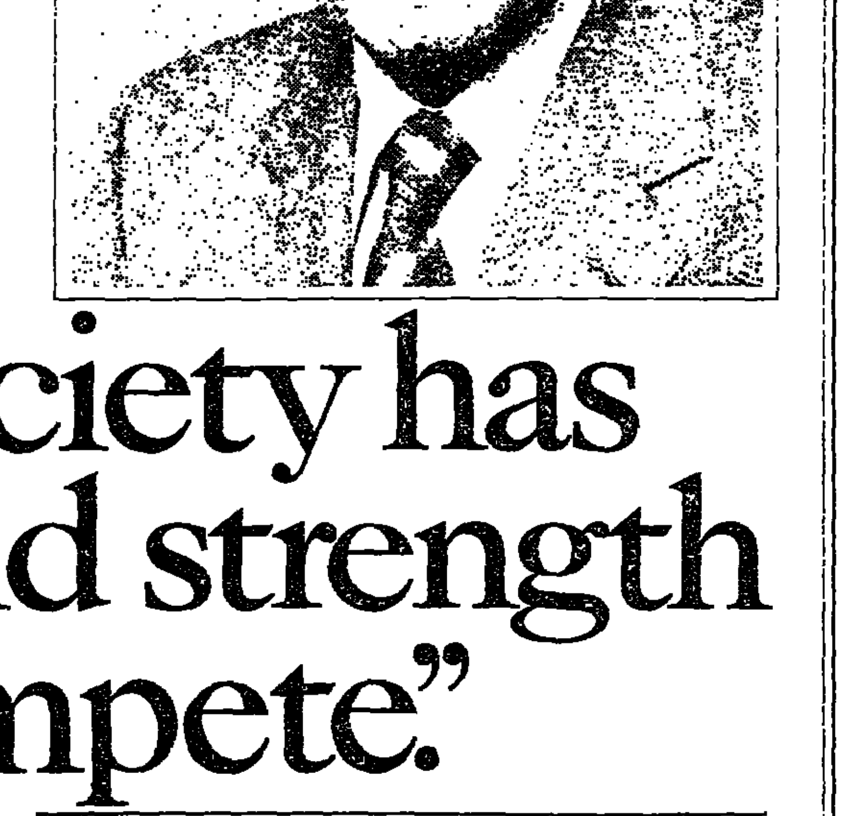
**Vickers' marine engineering division made pre-tax profits of £4.5m (£6m) on £70m sales in the year to last February. It was the only division's profits which fell last year, mainly due to the costs of product development, Vickers said.**

**The group's marine engineering interests cover stabilisers for ships, ranging from cross-Channel ferries to aircraft carriers, as well as cranes and thrust bearings. "KaMeWa is a very good fit for us," said a Vickers spokesman.**

**The rest of the Vickers group made £45m pre-tax on £600m sales in 1985, above market forecasts. In the past nine months, the group's share price has doubled to well above 500p. Last night, it closed at 538p, down 2p, though analysts said this was mostly due to the overall market fall yesterday.**

**Vickers is still looking for a sizeable acquisition—possibly in the US, to strengthen its health products interests. The aim is to make all its six key business areas—which also include motor cars, lithographic plates, defence engineering and office furniture—equally important. The group employs 15,000 people, with almost two-thirds of its sales outside the UK.**





# UK COMPANY NEWS

## Rugby Portland profits down despite recovery

IN LINE with expectations **Rugby Portland Cement** saw some improvement in the second half of 1985, but not enough to recover the profit fall of the first six months. After reporting a 41 per cent fall in pre-tax profits at the interim stage the full year figure came out at 21.84m, 21 per cent down on the previous year's £27.79m.

Markets expectations had been in the region of £20m but the shares were still marked down in a falling market by 7½p to close at 179½p.

Turnover rose by 26 per cent from £199.98m to £252.16m. Earnings per share on capital increased by acquisition came out at 13.7p (14.5p), and the total dividend is being raised from 6.2p to 6.4p with a recommended final payment of 3.5p (3.3p).

Mr Maurice Jenkins, chairman, says the year proved to be very difficult and was made worse by the fall of both the US and Australian dollar. The combined effect was to cut pre-tax profits by about £4m.

Cement sales recovered during the second half, with modest growth in the final quarter. However, he adds that the recovery in trading profits was affected by the costs of cutting manpower of £1.75m.

The second half saw the first contribution from John Carr (Doncaster), joinery manufacturer, with trading profit of £3.74m.

Of the turnover, £71.3m (£51.3m) was achieved overseas with trading profits of £7.95m (£9.29m) out of a total of £21.56m (£24.62m). Net interest charges, less investment income, were £2.82m (£521,000) and share of related companies added £3.1m (£3.69m).

The tax charge was substantially lower at £3.41m, against £9.8m mainly as a result of a UK tax credit of £544,000, compared with a payment last time of £4.71m. Mr Jenkins says that was the result of the mutually beneficial tax profiles of John Carr and the parent company and adds that there will be a further modest benefit in the present year.

With minorities taking £460,000 (£585,000), the profit for the year came out at £17.97m, against the previous year's £17.4m.

The chairman says that Rom River Plasclip continued its recovery and overseas Cockburn Cement had a good year with trading profits up by 14 per cent in local currency, despite a fall in the profits of land sales to £445,000. In the US Addison Corporation was affected by the acquisition of new branches which increased its size by 65 per cent.

Results of related cement companies in dollars were about 5 per cent higher.

All members of the group started the present year well, says Mr Jenkins, but the poor weather in February reduced building activity. However given stable currencies and a full year's contribution from John Carr a strong recovery is expected.

Group policy is to continue to expand activities and develop as a widely based building materials group with cement remaining one of the major products.

See Lex

## F & C Eurotrust rights issue to raise £6m

F & C Eurotrust, one of the few surviving specialist European biased investment trusts launched in the early seventies when the UK joined the EEC, is raising £6.1m after expenses with a one-for-four rights issue.

The issue is priced at 221p a share, equivalent to the trust's net asset value assuming full conversion of the convertible stock.

In the year to December 31 1985, Eurotrust's net asset value increased by 49.7 per cent. Since then, it has advanced by a further 18.2 per cent and the directors see more "opportunities for profitable investment."

A 1.85p interim dividend, in lieu of a final, has been declared for the year ending June 30. This payment has been announced earlier than usual, and it is expected the final dividend for the year to June 1987 will be paid in September 1987.

The issue has been underwritten by Cazenove.

## Two Kennedy Brookes executives to resign

TWO EXECUTIVE directors of **Kennedy Brookes**, the leisure and restaurant group which includes the Wheeler's and Mario and Franco chains in London, are to resign to set up their own business.

Mr Neville Abraham and Mr Laurence Isaacson are to form a new company, Lakebird, capitalised at £800,000. Kennedy Brookes has agreed to take a 10 per cent stake in Lakebird and to sell it two leases—those of Café Fish in Panton Street and Bertorelli Bros in Floral Street, both in London—for a total cash consideration of £800,000.

Last week, before the deal was finally agreed between the two directors and Kennedy Brookes, some 200,000 shares owned by Mr Abraham and Mr Isaacson were placed privately at 250p, according to the company's brokers, Hichens Harrison. The two men still hold 300,000 shares.

The share deal was subject to agreement between the two parties at Kennedy Brookes. It has netted Mr Abraham and Mr Isaacson £500,000. Kennedy Brookes closed at 278p, down 5p on the day.

For the six months to April 1985, Kennedy Brookes achieved £1.68m pre-tax profits on £16.8m turnover. Last May it launched a £9.65m convertible rights

## Tricentrol chief's 48% pay rise

Mr James Longcroft, chairman and chief executive of Tricentrol, oil and gas exploration group, received a 48 per cent pay increase during 1985, and that took his total salary from £110,800 to £163,000.

The annual report also shows that one director received remuneration of between £85,000 and £90,000 in 1985, and another between £70,000 and £75,000. One senior employee in the UK was given a salary of between £90,000 and £95,000.

The year-end figures, issued recently, showed that Tricentrol's pre-tax profits for 1985 fell from £39.3m to £26.5m, and the dividend was halved from 10p to 5p.

**Martin Dickson** on the final stages of the £2.8bn battle for Imperial

## Signs point to a nail-biting finish

IT LOOKS like being an ending that befits an epic takeover battle: the £2.8bn fight for control of Imperial Group, the tobacco to brewing business, will reach a climax this Friday and the signs are that it will be a nail-biting finish.

By Friday afternoon investors will have to decide whether to accept United Biscuit's offer—which has the backing of the Imperial board—or to hold off and deliver up the company to the hostile bid being made by Hanson Trust, the industrial conglomerate with interests ranging from bricks to batteries.

Epic is a word dulled by over-use in takeovers, but the battle for Imperial can lay more genuine claim than most to the description. It is partly the sheer scale of the fight, pitting three of Britain's leading industrial companies in the biggest-ever takeover bid; partly the cast of characters, headed on the one side by the tall, elegant figure of Lord Hanson, the chairman of Hanson Trust and aggressive capitalism incarnate, and on the other by Sir Hector Laing, representing a more paternalistic form of industrialism.

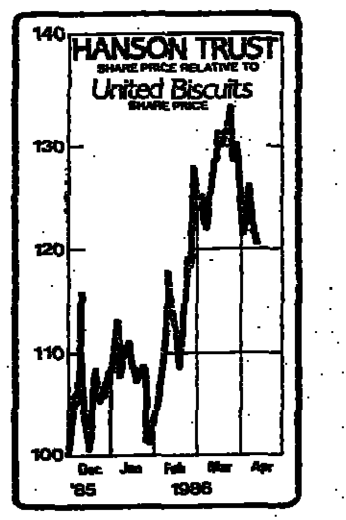
There is also a classic symmetry in the clash of cultures between the protagonists and the future they offer Imperial: United Biscuits holds aloft a banner labelled "long term industrial logic" and Hanson one proclaiming simply its proven management skills for making under-performing assets sweat.

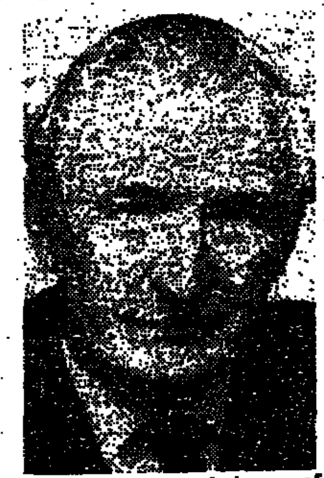
The United-Imperial camp is portraying the choice facing fund managers as one of wider national importance for the way industry is run, contrasting what it claims would be the short-term approach of a victorious Hanson with its plans for long-term organic growth. "What is the changing face of the nation?" asks Sir Hector, "wealth creation or today's buck?"

The Hanson side dismisses this as so much emotive claptrap. For it the issue is not one of short versus long-term, or of conglomeration versus synergy, but simply which company could manage Imperial's assets better.

At the moment Hanson appears to have the edge, since it speaks for some 30 per cent of Imperial's shares, and can buy 5 per cent more in the market, which United speaks for just 22 per cent and can buy no more. United, however, is claiming some significant defections from the Hanson tally.

Lord Hanson, chairman of Hanson Trust



Sir Hector Laing, chairman of United Biscuits

Battle was first joined in early December when, in the space of a week, first Imperial and United unveiled plans for a merger (in the form of an Imperial bid for the smaller United) and then Hanson bid for Imperial, claiming that the merger was merely a defensive pact between two bid targets.

Hanson appeared to face a clear run when the Imperial-United deal was referred to the Monopolies and Mergers Commission because of its implications for the snack foods market. But United fought back by launching a bid of its own for Imperial, which in turn got round the Monopolies problem by agreeing to sell its Golden Wonder snacks business to Dalgety for £54m.

That figure was well below City estimates of the company's worth, and opened Imperial up to Hanson criticism of a rushed sale at knock-down prices.

Even without Golden Wonder, Imperial and United insist that a marriage of the two makes great sense: for Imperial, it would mean a much reduced ependence on tobacco (which would account for about 33 per cent of the combined group's 1985 sales, against 29 per cent for brewing and leisure and 38 per cent for food). For United, it would mean access to the strong cash flow from the cigarettes business to help fund its expansion as a major international force in the foods business.

In areas where the two have common interests, they could grow together more rapidly: Imperial's Ross and Young's frozen foods companies would fit with United's McVities frozen products; Imperial's Happy Eater roadside restaurants would complement United's High Street outlets, Wimpy and Pizzaland; a combination of the two companies' confectionary interests could increase their market share; while a greater number of United's products might be introduced to Imperial's chain of Courage pubs.

The two companies appear to believe that a merger could produce benefits worth about £30m in annual profits by 1988. And they argue that Hanson cannot hope to squeeze improvements on such a scale out of Imperial, which over the past five years has been through a major rationalisation process and much improved its previous lacklustre performance.

Certainly, Hanson has said remarkably little about its intentions for Imperial. It argues that there is little point coming up with solutions until it has won and taken a close look at the problems of the business. Essentially, it is standing on its record, and it can compare its 33.9 per cent annual growth in earnings per share over the past five years with the 9.2 per cent recorded by United.

"We have greater experience of acquisitions of this size and have proved we can inject new life into companies," says Lord Hanson, who argues that United is anyway making excessive claims of industrial logic, since food and restaurants account for only 20 per cent of Imperial's sales.

Hanson also portrays Sir Hector's plans as a high risk strategy, on two counts: first, that the relatively small United has no record of acquiring large, diversified businesses; and second that it cannot hope to compete successfully against large American rivals in the international food market.

"Fund managers have got to ask: 'Is this going to work?'" says Lord Hanson. "And I don't think it is. Cookie factories in Canton? Biscuits in Brazil . . ." The voice trails off dismissively.

United replies that it is ridiculous to portray it as simply pouring money into the Third World, which, for the time being, will remain a relatively small, if growing, part of its interests.

As for taking on the American giants, it points to the success last year of Keebler, its US subsidiary, which was the only major participant in the "cookie war" to show any growth, recording a 34 per cent gain in dollar income.

Moving from defence to attack, the United-Imperial camp has laid in to Hanson's track record with a broadside far more comprehensive than any launched by its previous takeover victims.

It stands accused of generating remarkably little organic growth and being dependent on making ever larger takeovers to sustain expansion. Its relatively low level of capital investment (£59m last year) is contrasted with that of Imperial (£193m) and United (£94m). Hanson replies that its return on capital employed is double Imperial's. "They believe it is virile to invest money. We believe it is virile to get a return."

There is little evidence to suggest that the anti-Hanson campaign has made a particularly deep impression in the City. On the contrary, the company's share price has moved rapidly forward in recent weeks, in part because of analysts' growing enthusiasm about its last major takeover victim — SCM, the US chemicals to typewriter group.

And come the end of this week the battle could be determined on the strength of the protagonists' share prices. The two bids are fairly close in value and the complex combinations of paper and cash each are offering make precise comparisons difficult.

On the basis of last night's closing prices, Hanson says its "best" offer of shares and convertible stock was worth about 372.5p, against a United offer of shares, cash and convertible preferred shares worth around 365p. However, Imperial is now challenging the value Hanson put on its convertibles and suggests the two offers are about the same—a claim Hanson dismisses as nonsense.

Whatever the case, both United and Imperial argue that the future of the two companies should not be decided solely on small daily fluctuations in share prices, particularly in a bull market so frothy as the present one. "We are aiming to create genuine wealth through new businesses," says Sir Hector.

But fund managers' time horizons are notoriously short and the demands on them for instant performance are powerful—despite the exhortations of politicians and industrialists for a longer view. So whether they swing behind Sir Hector or Lord Hanson should throw a more general light on the mood of the times and, as in the best epics, point up something of a moral.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Arenson, London and Provincial Shop Centres, New Court Trust, Next.

Finals: Ash and Lacy, Astbury and Madeley, Beauford, Bodycote International, British Syphon, Dwek, Johnston Group, Kwik-Fit, London and Continental Advertising, London and Edinburgh Trust, Marshall's Universal, Metsec, Newman Industries, Riley Leisure, Scanro.

FUTURE DATES

Interims—

| | |
|---|---|
| Adwest | Apr 16 |
| Bellway | May 1 |
| Grosvenor Group | Apr 10 |
| Highland Distilleries | Apr 14 |

Finals—

| | |
|---|---|
| Assam-Dooars Holdings | Apr 17 |
| Blue Circle Industries | Apr 29 |
| Boustead | Apr 15 |
| Carlton Industries | Apr 16 |
| Conder | Apr 11 |
| Eastern Produce | Apr 11 |
| Hammerson Property and Development | Apr 17 |
| Harris Queensway | May 7 |
| Home Counties Newspapers | Apr 25 |
| New London Properties | Apr 10 |
| Northern Engineering | Apr 16 |
| Parambe | Apr 14 |
| Ramco Oil Services | May 14 |
| Reabrook | Apr 11 |
| Renown Inc. | Apr 18 |
| Roberts, Adlard | Apr 14 |
| Ruberoid | Apr 10 |
| Simon Engineering | Apr 10 |
| Tarmac | Apr 29 |
| Television Services Intnl. | Apr 21 |
| Western Dooars Tea | Apr 17 |

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corresponding div. | Total for year | Total last year |
|---|---|---|---|---|---|
| Aldcom Intl | 1.1 | July 1 | 0.86 | 1.1 | 0.86 |
| F & C Eurotrust ...¶int | 1.85 | Aug 1 | 1.7 | 1.85 | 1.7 |
| Glynwed Intl | 6.75 | July 3 | 6 | 10.5 | 9.25 |
| Macfarlane | 1.47 | May 22 | 1.24* | 2.48 | 2.16* |
| More O'Ferrall | 3 | July 4 | 2.4 | 4 | 3.4 |
| Pentland Inds | 1.16 | July 3 | 0.7* | 1.5 | 0.87* |
| Queens Moat | 0.94† | — | 0.67 | 1.6 | 1.33 |
| Rugby Portland | 3.5† | July 1 | 3.3 | 6.4† | 6.2 |
| Scottish TV | 8.1 | — | 6.5 | 10.5 | 8.8 |
| UDO Holdings‡ ......int | 1.5† | — | 1.25 | — | 3.75 |
| Wilson (Connolly) | 2.85 | — | 2 | 4 | 3 |

Dividends shown in pence per share except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. ¶ In lieu of final.

## Shareholding reshuffle at Hobson

By David Goodhart

Hobson, the USM-quoted makers of a new process of aluminium die manufacture, has announced a significant reshuffle of shareholdings between two of its directors.

The company was founded by two inventors, Mr George Nicholson and Mr David Stewart, and last year went through a serious upheaval when Mr Nicholson, who claims to have invented the process, was dismissed. His 34.6 per cent stake in the company (3.6m shares) was later placed with 400 new investors.

Mr David Stewart, who remains a director, has now sold 1m of his shares to Mr Rodney Harnett, the Brighton entrepreneur who has now become executive chairman of the company. The sale, for an undisclosed sum, leaves Mr Stewart with 2.6m shares. Mr Harnett also has an option from Mr Stewart over a further 1m shares exercisable on or before April 1989.

Mr Harnett, who now holds 12 per cent of the company (1.2m shares), said yesterday that his acquisition showed his confidence in the future of the company.

## COMPANY NEWS IN BRIEF

FRENCH KIER — two former directors of the construction group, which was recently taken over by C. H. Beazer, the fast-growing housebuilder, have now resigned. Mr Alan Frettsome, chief executive of the contracting division of the new merged company, and Mr Tony Gammage, who joined the finance and administration committee of Beazer, have left on mutually agreed terms.

Distillers acceptance of Argyll's bid slipped marginally down to 2.81 per cent of the share capital at the last closing date on Friday. Guinness, the rival bidder which has had 9 per cent acceptances, claimed this was evidence of its imminent victory. However, it appears that Argyll acceptances have since Friday passed 3 per cent. Guinness's share offer valuation of Distillers is still ahead of Argyll. Guinness values it at 766p per share having seen its own share price slip 3p to 348p yesterday. Argyll, which remained on 360p, valued Distillers at 732p a share.

GREAT UNIVERSAL STORES and Combined English Stores have agreed to run the Paige Fashion stores, a women's wear retailer with 246 UK branches, through a jointly-owned company. GUS will receive rental income from the properties and a half share of trading profits. It is to retain a 50 per cent stake in the enlarged share capital by subscribing to 1.74m redeemable preference shares at par. CES is to take a 50 per cent ordinary share stake at a cost of £2.3m.

NORTON OPAX, the Yorkshire printing group which is making a £110m bid for McCorquodale, said yesterday that by its first closing date it had received acceptances from holders of only 0.28 per cent of McCorquodale shares. The offer has been extended until April 23.

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# UK COMPANY NEWS

## Glynwed advance leads to £24m debt reduction

Glynwed International made further strong headway through the second six months of 1985 and for the full year saw its profits surge by £9.1m to £35.6m pre-tax.

The figures were, however, at the bottom end of City estimates.

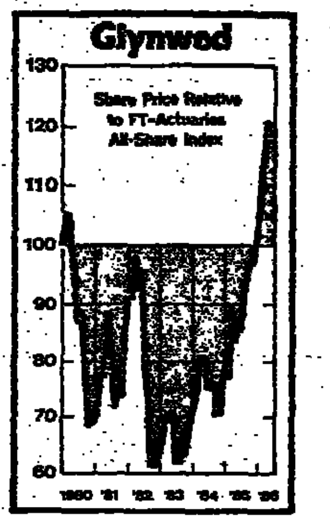
The directors say the main features of the year were continued improvements in the UK operations together with benefits of the disposals made in 1984 in South Africa and the US, resulting in improved profitability and a strong cash flow.

A cash flow of £24m reduced net debt to £16.1m and the debt/equity ratio from 34.2 per cent to 13.5 per cent. Interest charges were cut by £5.1m to £4m.

The directors see 1986 as a year of further progress. Meanwhile, they are lifting the final dividend by 0.75p to 6.75p for a 1.25p bigger net total of 10.5p. A scrip issue on a one-for-four basis is also proposed.

Turnover for 1985 showed an overall decline of £50m at £464.1m due mainly to the disposals in South Africa and the US. Turnover of the continuing business, however, improved by 7.3 per cent—the group's interests are in the manufacture of consumer and building products, engineering and steel products.

Operating profits emerged £4m ahead at £39.6m, of which the UK and European operations contributed £38.7m (£32.7m).




Tax rose from £8.2m to £12.3m and earnings per share came through at 27.89p on a net basis, up from 1984's 22.45p. Extraordinary provisions were reduced from £3.9m to £2.3m.

The UK saw consumer and building products operating profits rise by £1.6m to £9.5m, engineering improve by £1m to £2.7m, steels advance by £1.4m to £12.1m and tubes and fittings increase by £1.5m to £11.4m.

In the US only the plastic pipe business did well. In South Africa the remaining foundry business made a small profit.

The assets of Glynwed Castings and Stampings were sold in two transactions after the year-end.

### ● comment

It has taken four years of strong earnings growth before the market has finally reappraised Glynwed's capabilities and prospects. These results show that the company well deserves the re-rating: its shares have risen from under 200p six months ago to yesterday's price of 386p. Having decided that 1985 would be the year in which gearing stopped being a problem, Glynwed has not only delivered a £24m reduction in borrowings, it has increased profits in nearly every corner of the business, and has reinforced it strategy of concentrating in specialised markets or in those where it has gained a clear cost advantage. The process of trimming, during which unprofitable businesses worth £25m has been sold, and costs squeezed out mercilessly everywhere, is nearly over. The way forward is in part by acquisition (Philmac looks a good fit and was bought for a sensible price, as were the other smaller buys over the last two years) and in part by developing the more dynamic parts of the company like plastics. On £44m of pre-tax profits the shares are on a p/e of 11—a below average rating for above average prospects.

## Blackwood Hodge recovers to £7m but no dividend

THE Blackwood Hodge group continued its recovery in 1985 and for the year saw its profits before tax advance from £3.04m to £7.16m. Losses in 1983 totalled £20.82m.

However, the directors have decided against the resumption of ordinary dividends due to an £8.9m reduction in shareholders' funds, the resultant unsatisfactory debt to equity ratio and the necessity to conserve working capital.

They hope that the payment of a dividend will be possible in the current year—the last payout was an interim in 1982.

Turnover for 1985 fell from £216.99m to £198m. Pre-tax profits benefited from a £7.27m fall in administration expenses to £39.91m and a £1.77m drop in net interest charges to £6.01m.

It is pointed out that markets in which the company serves (earthmoving, construction and mining equipment sales and service) have shown little or no growth over the last few years. The directors say it is prudent to regard the current level of demand as normal rather than as the bottom of the trade cycle.

The increase in profitability in 1985 was achieved against a background of limited growth in group markets and reflected improvements in efficiency over the past two years.

The directors are confident that the group will continue to progress by increased market share and profitability and point out that in areas where it can directly influence its financial position it has made substantial progress.

During the past 12 months the appreciation of sterling against certain overseas currencies resulted in an unrealised loss on the translation of overseas net assets into sterling of some £15.5m and despite retained profits emerging at £5.4m, shareholders' funds were reduced by £8.9m to £27.9m.

At year-end group borrowings, including the unsecured loan stock and interest-bearing stock financing plans, had fallen by £17.2m to £44.5m.

The 1985 year saw domestic sales increase by 23 per cent to £34.5m following the end of the miners' strike in March.

Earnings for the year emerged at 6.7p (2.29p) per 25p share.

### ● comment

Blackwood has been bandied about as a recovery stock for a long, long time. With these results the company justified the label by hauling profits back to the level of the late 1970s despite adverse exchange rates which wiped £1m off profits and, more pertinently, whittled away shareholders' funds to such an extent that borrowings hover at 120 per cent. Throughout the 1980s the company cut costs and reduced stock levels so stringently that there is little left to cut. Given that there is no apparent scope for growth within its existing markets, the only option is to diversify into related areas, probably into engineering distribution, through acquisition. With such high borrowings Blackwood Hodge's best solution is to pay with paper, thus achieving the joint objectives of broadening the business base and swelling shareholders' funds. Until the interim stage paper transactions were ruled out because of the weakness of the share price. The price's recent recovery — up 2p to 60p yesterday — paired with the company's intention to resume dividend payment at the end of 1986 should make paper payment possible. The City expects further recovery in profits to £9.5m and a p/e of 6.5.

## UDO ready for full SE listing

The directors of UDO Holdings, supplier of drawing office and related equipment, feel the group has now reached an appropriate stage to consider an introduction of its shares to the Official List and application has been made. The company's shares are currently traded on the Unlisted Securities Market.

It is expected that the ordinary shares will be admitted to the Official List on May 9.

The group reports that pre-tax profits for the six months to January 31 1986 more than doubled from £550,000 to £1.21m on turnover up from £5.05m to £9.77m. The interim dividend is increased by 20 per cent from 1.25p to 1.5p net—last year a total of 3.75p was paid from pre-tax profits of £1.55m. Stated earnings per 10p share improved from 5.8p to 10.9p. A two-for-one scrip is proposed.

Sime Mallach, the Scottish-based reprographics company acquired for £2.76m last April, produced an important contribution of £422,000 to group profits.

## Macfarlane up 34% and current year starts well

RECORD profits are reported by Macfarlane Group (Clansman) packaging and printing, for 1985, and the dividend is effectively raised from 2.16p to 2.48p, with a final of 1.47p.

Sir Norman Macfarlane, the chairman and managing director, says 1986 has started strongly, and the group's companies are trading well. Sales and profits for the year so far are up on the corresponding period last year.

Pre-tax profits for 1985 increased by 33.6 per cent from £3.01m to £4.02m, and sales advanced from £41.52m to £48.13m, an increase of 15.9 per cent. Earnings per 25p share rose from 6.375p to 7.805p.

Throughout the UK, the group's companies continued to perform well. Abbott's Packaging in the South-east traded attractively and increased its already substantial contribution to profits.

Flo-Pak (UK) and Clansman Cases—both are based at Brackley—produced improved results and continue to show real potential, says Sir Norman.

Controlled Packaging Services of Westbury made major progress during the year, and is now reaping the benefit of its product range and design expertise. R. Mitchell, of Grantham, made modest progress and Lancashire Box Company, of Hyde, which was acquired in October 1985, made a small post-acquisition contribution to profits.

The one disappointing feature of the year was the further losses incurred by Cyro and Farquharson Bros, the copying products companies. These companies have now been merged under the name Cyro in order to reduce costs and rationalise product ranges. Sir Norman hopes that Cyro will return to profitability this year.

Pre-tax profits were struck after net interest charges up from £148,207 to £319,304. There was an extraordinary debit of £72,603 (£650,600), and after dividends of £765,109 (£660,333), retained profits came out at £1.56m compared with £639,815.

# UK COMPANIES

## Queens Moat £35m placing as profits expand by 60%

Pre-tax profit of Queens Moat Houses jumped 60 per cent to £10.5m in 1985 with the greatest part of the increase reflecting further advances in the group's longer held properties and the benefits of financial management.

The directors also announce that the company is raising some £35m by way of a placing of first mortgage debenture stock 2020. This is payable as to £40 per £100 on acceptance and the balance by August 1.

Against a forecast 0.765p final dividend, the total distribution is lifted by 20 per cent to 1.6p with a final payment of 0.835p.

Up to £3.5m of the debenture stock will be available at the issue price in the market until noon tomorrow and it is expected that dealings will begin at 2 pm on that day for deferred settlement on April 15.

The directors say that the proceeds of the issue will be used to reduce existing variable rate borrowings and to finance the company's continuing expansion.

Mr Bairstow, the chairman, says that the group caters "predominantly for the business community and the outlook for 1986 is very good."

The group acquired six hotels last year and already in the current year has acquired a further seven making a total of 13 with 1,525 bedrooms.

"That is an increase of 34 per cent, and is in addition to 280 bedrooms in three hotels under construction and to extra rooms and additional conference and leisure facilities being built under our improvements and extensions programme," Mr Bairstow states.

With business continuing to be buoyant and with the additional hotels progressively moving into full profitability, he says the company is assured of continued profits growth.

The chairman explains that the placing follows the recent acquisition of the Holiday Inn at Liverpool and the Royal Hotel, Nottingham, for £21.2m cash.

Pre-tax figure was after rent unchanged at £1.12m, and interest payable, down slightly at £4.36m (£4.52m). After tax of £1.71m, compared with £350,000, earnings per 5p share are given as 4.75p (4.03p) basic and 4.42p (3.62p) fully diluted.

Dividends will absorb £3.79m (£2.08m) leaving a retained balance of £5.01m (£4.15m).

Mr Bairstow says that during the year some £8m was spent to create extra rooms, conference and leisure facilities and on refurbishment which have enabled directors to generate increasing profits from longer held properties as well as from acquisitions.

A revaluation of properties, as at December 31 1985, showed a surplus of £35m. Fixed assets at that date totalled £177m.

**● comment**

The market was a little grudging to knock 2p off Queens Moat Houses' shares yesterday, given a good set of results and an unexpectedly large property revaluation. Although much of the 60 per cent profits advance was a direct result of last year's rights issue, there was also good growth from existing hotels as well as contributions from the bunch of new ones. Shareholders can be reasonably certain that this year will provide more of the same—the company persists in a wise policy of refurbishing its portfolio, and adding to it by buying up-market hotels. On profits of £14m the shares are on a fully diluted p/e of 15 after 22 per cent tax. The rating is high for the sector, but seems fair given the recent growth record. Although now might seem an odd time to be locking into 30-year money, 10½ per cent is attractive at least by recent standards, and in any case, the borrowings are well matched against long term assets.

## More O'Ferrall progresses and profits reach £2.8m

PRE-TAX profits at More O'Ferrall, outdoor advertising and ancillary services, improved from £2.22m to £2.81m in 1985, and the improvement experienced in the second half continued into the opening months of 1986.

The total dividend is increased from 3.4p to 4p net with a final of 3p. Stated earnings per 10p share were 6.7p against 5.8p.

Group turnover for the year rose from an adjusted £17.15m to £22.11m—this is now represented by net turnover after third party commissions. The 1985 figure includes turnover of Adshel from July.

Operating profits came out at £3.46m (£2.39m), and this includes share of profit of Adshel while it was a related company. Tax was up from £1m to £1.28m and there was a minority credit of £11,000 (£6,000 debit).

There was also an extraordinary debit of £134,000 (£44,000), being rationalisation and reorganisation costs of £187,000 following the acquisition of Adshel; release of deferred tax £175,000 (nil); provision for losses and associates costs on disposal of a subsidiary £174,000, and profit on disposal of properties, £12,000 (£20,000).

The directors say the continuing improvement has been achieved by the more stable market conditions in the UK, and by the effect of the management and operational re-organisation implemented throughout the group during 1985.

The company's operations in the UK, France, Belgium and Ireland continued to perform according to expectations, they add.

**● comment**

Thanks to a rapid recovery in the second half More O'Ferrall's profits surged ahead of expectations and the shares rose by 5p to 128p yesterday. In the first half the problems posed by disappointing demand in the poster industry were compounded by More O'Ferrall's internal restructuring and its acquisition of Adshel. These changes completed, the company was able to make the most of industry growth in the second half and outperformed the market. More O'Ferrall seems to have done everything it can to generate interest in posters as an advertising medium . . . from sticking cars to posters at Heathrow to posting pictures of the sales director's daughter all over the country in the enigmatic "Amy" campaign. Yet posters' share of advertising expenditure has remained stubbornly static. In the longer term More O'Ferrall plans to compensate for this by developing "international" poster packages for global advertisers in airports and hotels. In the short term its sights are set on organic growth, specifically through Adshel. Demand for posters has been healthy so far this year, and neither the recent restrictions on tobacco advertising nor increased competition among newspapers have imploded on More O'Ferrall. The City anticipates profits of £4.6m and a p/e of 10 for 1986.

## Wilson (Connolly) profits advance 28%

SECOND half taxable profits of Wilson (Connolly) Holdings, Northampton-based house builder, contractor, moved ahead from £9.04m to £12.47m and pushed the full 1985 figure up by 28 per cent to £20.29m from turnover of £90.35m. This is compared with £15.84m last time, from a £78.78m turnover.

Mr Lynn Wilson chairman says he looks forward to reporting further progress for the current year.

After tax of £8.42m (£6.7m) earnings per share are given as 26.3p against 20.7p while the dividend is stepped up by 1p to 4p with a final payment of 2.85p (2p). Also proposed is a one-for-one scrip issue.

A breakdown of both turnover and pre-tax profits shows: Wilson Homes £70.9m (£62.7m) and £17.3m (£14.5m); Wilson Construction £11.8m (£11.3m)—both net of inter-company trading — and £0.6m (£0.4m); property trading £5.6m (£1.1m) and £0.3m (£0.6m); rents £1.3m (£1.7m) and £1.2m (£1.4m); sale of investment properties £0.8m profit £0.1m).

Within the property trading sector the chairman says that construction is underway on a 33,000 sq ft shopping development in Sheffield.

**● comment**

Wilson (Connolly) may be unglamorous but when it comes to delivering the goods, few can match it for reliability. In spite of the adverse influences at work on its mainstream housebuilding activities at the beginning of the year, it has succeeded in ending the period with only 30 fewer houses built than in 1984 and with margins better than almost anyone else's in the industry. The resultant profits enabled the group to breeze in with earnings per share growth well ahead of the average of 25 per cent plus achieved over the last 12 years. Two of Wilson's particular strengths are the extent of its land bank, which with five years' supply of plots means it does not have to buy land at the prices faced by other builders, and its skill in controlling its overheads. With neither of these showing any signs of exhaustion and the market looking buoyant, up to £25m could be in prospect for this year, putting the shares, up 15p at 428p, on a prospective p/e ratio of 12 after a 37 per cent tax charge—a small and justifiable premium to the sector.

# APPOINTMENTS

## Reorganisation at C.E. Heath Group

As part of the management restructuring of the C. E. HEATH GROUP, C. E. Heath Urquhart (Life & Pensions) has been re-organised into two specialist operating companies: C. E. Heath (Employee Benefits) and C. E. Heath (Financial Advisory Services). The board of the employee benefits company based at Reading will be Mr D. W. Nichols, chairman and managing director, Mr R. L. Walker, deputy managing director and the following directors: Mr K. W. Galliford, Mr D. J. A. Herring, Mr D. H. F. Parfett, Mr B. Warburton and Mr A. P. Williams. Mr A. D. Kovacs - Gasper becomes an assistant director. The financial advisory services company operating from London will have as its chairman and managing director Mr Nichols, and Mr Walker as deputy managing director and the following directors: Mr K. L. Boyce, Mr J. C. Kyd, and Mr Warburton. As part of its regional development programme, the group is retitling C. E. Heath & Co (Home), Southend, as C. E. Heath (South East) and C. E. Heath, Loades & Co, Reading, will be re-named C. E. Heath (Thames Valley). Mr J. Houlston is appointed an additional director of C. E. Heath (Thames Valley).

*

BROWN SHIPLEY HOLDINGS has formed an insurance division holding company—Brown Shipley Insurance Group Management. Its board consists of: Mr R. N. Amos, chairman, Mr D. C. McIntosh, deputy chairman, Lord Farnham, Mr A. C. D. Ingleby-Mackenzie. Mr F. H. Brandenburg and Mr A. W. Mansfield. Brown Shipley Insurance Services will manage the group of subsidiary companies operating in the UK and Mr A. C. D. Ingleby-Mackenzie becomes group managing director.

*

LATTICE LOGIC has chosen Mr Alex Bennett, the man responsible for setting up the UK operation of US multinational Burr-Brown, as its new managing director, to spearhead a fund-raising initiative which will fuel the company's drive into the European, American and Far-Eastern markets. He replaces Mr John Gray who left late last year to join the new pan-European advanced chip design consortium European Silicon Structures (ES2).

*

Mr Charles G. Anderson has joined N. M. ROTHSCHILD ASSET MANAGEMENT as business development manager for the institutional funds department. He had a similar function at London and Manchester Assurance Group.

*

GRANDMET INTERNATIONAL SERVICES (GIS) has appointed Mr Roger Matthews as its finance director. He was finance director for GM Healthcare, another company in the contract services division of the Grand Metropolitan group.

*

Mr Philip Morley has returned from Hong Kong where he was managing director for GIS's Hong Kong and China operations, to become marketing director. Mr Edward Daniell has been appointed regional director for Europe and Africa by GIS. He has just returned from running the Alaska division.

*

FRESHBAKE FOODS has appointed Mr Alan Wilkinson as production director, with overall responsibility for all four production sites—at Sittingbourne, Braintree, Peterlee and Glasgow. He was site manager of Walls development plant at Evesham.

*

LOVELL HOMES SOUTHERN has appointed Mr Jim Standen as managing director from April 21.

*

F. J. EDWARDS, Chard, a member of the 600 Group, has appointed Mr Andrew Smith as production director. He joined from Bomford and Evershed, Evesham.

*

Mr Mick Duckett, managing director, Atkins Oil and Gas Engineering, Mr Richard Jarvis, head of infrastructure planning, WS Atkins and Partners, and Mr Brian Patterson, head, Atkins Planning, have been appointed to the board of WS ATKINS GROUP CONSULTANTS.

*

KMG THOMSON McLINTOCK has made the following appointments: Mr Michael Burrows, partner, Norwich; Mr Peter Bilett, partner, Bristol; Mr Robert Steel, partner, Edinburgh; Mr Victor Burkacz, director of National VAT, Edinburgh; Mr Peter Doyle and Mr Peter Locke partners, London; and Mr David Earle and Mr Stephen Gratton, partners, Exeter.

*

Mr Philip Nash, the recently appointed Commissioner of Customs and Excise, has joined the Simplification of International Trade Procedures Board (SITPRO). He is ex-officio a member of the board, and joins in succession to Mr Norman Godfrey who has retired.

*

THE INSTITUTE OF CHARTERED ACCOUNTS OF SCOTLAND has elected Mr Gordon A. Anderson as president for 1986/87. He is a partner in Arthur Young, Glasgow.

*

Mr Alan Cotton, until recently managing director of BEAR BRAND HOSIERY, has been appointed chairman. Bear Brand is a member of the Tramwood Group.

*

WARNER LAMBERT has promoted Mr Terry Berridge, finance director, to vice president finance, of Capsugel, in Basle. He is succeeded at the British headquarters by Mr Tony Yates who was regional finance director for France, Benelux and Scandinavia.

## BASE LENDING RATES

| | | | |
|---|---|---|---|
| ABN Bank | 11½% | ■ Guinness Mahon | 11½% |
| Allied Dunbar & Co. | 11½% | ■ Hambros Bank | 11½% |
| Allied Irish Bank | 11½% | Heritable & Gen. Trust | 11½% |
| American Express Bk. | 11½% | ■ Hill Samuel | §11½% |
| Amro Bank | 11½% | C. Hoare & Co. | 11½% |
| Henry Ansbacher | 11½% | Hongkong & Shanghai | 11½% |
| Associates Cap. Corp. | 11½% | Johnson Matthey Bkrs. | 11½% |
| Banco de Bilbao | 11½% | Knowsley & Co. Ltd. | 12 % |
| Bank Hapoalim | 11½% | Lloyds Bank | 11½% |
| Bank Leumi (UK) | 11½% | Edward Manson & Co. | 12½% |
| Bank Credit & Comm. | 11½% | Meghraj & Sons Ltd. | 11½% |
| Bank of Ireland | 11½% | Midland Bank | 11½% |
| Bank of Cyprus | 11½% | ■ Morgan Grenfell | 11½% |
| Bank of India | 11½% | Mount Credit Corp. Ltd. | 11½% |
| Bank of Scotland | 11½% | National Bk. of Kuwait | 11½% |
| Banque Belge Ltd. | 11½% | National Girobank | 11½% |
| Barclays Bank | 11½% | National Westminster | 11½% |
| Beneficial Trust Ltd. | 12½% | Northern Bank Ltd. | 11½% |
| Brit. Bank of Mid. East | 11½% | Norwich Gen. Trust | 11½% |
| ■ Brown Shipley | 11½% | Peoples Trust | 12½% |
| CL Bank Nederland | 11½% | PK Finans. Intl. (UK) | 12½% |
| Canada Permanent | 11½% | Provincial Trust Ltd. | 12½% |
| Cayzer Ltd. | 11½% | R. Raphael & Sons | 11½% |
| Cedar Holdings | 13 % | Roxburghe Guarantee | 12 % |
| ■ Charterhouse Japhet | 11½% | Royal Bank of Scotland | 11½% |
| Citibank NA | 11½% | Royal Trust Co. Canada | 11½% |
| Citibank Savings | ¶11.95% | Standard Chartered | 11½% |
| City Merchants Bank | 11½% | Trustee Savings Bank | 11½% |
| Clydesdale Bank | 11½% | United Bank of Kuwait | 11½% |
| C. E. Coates & Co. Ltd. | 12½% | United Mizrahi Bank | 11½% |
| Comm. Bk. N. East | 11½% | Westpac Banking Corp. | 11½% |
| Consolidated Credits | 11½% | Whiteaway Laidlaw | 12 % |
| Continental Trust Ltd. | 11½% | Yorkshire Bank | 11½% |
| Co-operative Bank | *11½% | | |
| The Cyprus Popular Bk | 11½% | | |
| Duncan Lawrie | 11½% | | |
| E. T. Trust | 12½% | | |
| Exeter Trust Ltd. | 12 % | | |
| Financial & Gen. Sec. | 11½% | | |
| First Nat. Fin. Corp. | 12½% | | |
| First Nat. Sec. Ltd. | 12½% | | |
| ■ Robert Fleming & Co. | 11½% | | |
| Robert Fraser & Ptrs. | 12½% | | |
| Grindlays Bank | ‡11½% | | |

■ Members of the Accepting Houses Committee.
* 7-day deposits 7.69%, 1-month 8.03%. Top Tier—£2,500+ at 3 months notice 10.72%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
¶ Mortgage base rate.
§ Demand dep. 7.69%. Mortgage 12.25%.



### Over-the-Counter Market

| High | Low | Company | Price | Change | Gross div.(p) | Yield % | P/E Actual | P/E Fully taxed |
|---|---|---|---|---|---|---|---|---|
| 146 | 118 | Ass. Brit. Ind. Ord. | 132xd | — | 7.3 | 5.5 | 8.1 | 7.5 |
| 151 | 121 | Ass. Brit. Ind. CULS | 138 | — | 10.0 | 7.2 | — | — |
| 75 | 43 | Airsprung Group | 72 | — | 6.4 | 8.9 | 12.0 | 15.7 |
| 46 | 33 | Armitage and Rhodes | 35 | — | 4.3 | 12.3 | 4.3 | 5.2 |
| 177 | 108 | Bardon Hill | 175 | −1 | 4.0 | 2.3 | 22.2 | 23.0 |
| 64 | 42 | Bray Technologies | 58 | — | 3.9 | 6.7 | 7.1 | 8.2 |
| 201 | 136 | CCL Ordinary | 138 | — | 12.0 | 8.7 | 3.4 | 3.2 |
| 152 | 97 | CCL 11pc Conv. Pref. | 99 | — | 15.7 | 15.9 | — | — |
| 150 | 80 | Carborundum Ord. | 146 | −1 | 4.9 | 3.4 | 7.2 | 11.3 |
| 94 | 83 | Carborundum 7.5pc Pf. | 91 | — | 10.7 | 11.8 | — | — |
| 65 | 45 | Deborah Services | 58 | — | 7.0 | 12.7 | 8.7 | 7.5 |
| 32 | 20 | Frederick Parker Group | 23 | — | — | — | — | — |
| 112 | 50 | George Blair | 112 | — | — | — | 4.6 | 8.3 |
| 68 | 20 | Ind. Precision Castings | 62 | — | 3.0 | 4.8 | 18.4 | 13.7 |
| 218 | 161 | Isis Group | 162 | −4 | 15.0 | 9.3 | 12.5 | 18.6 |
| 122 | 101 | Jackson Group | 120 | −1 | 6.6 | 4.8 | 8.1 | 8.1 |
| 345 | 228 | James Burrough | 342 | −1 | 15.0 | 4.4 | 10.8 | 10.8 |
| 98 | 85 | James Burrough 9pcPf. | 97 | — | 12.9 | 13.3 | — | — |
| 95 | 60 | John Howard and Co. | 60 | −1 | 5.0 | 8.3 | 4.8 | 7.5 |
| 1200 | 570 | Minihouse Holding NV | 1,070 | — | 6.9 | 0.9 | 48.7 | 44.4 |
| 82 | 32 | Robert Jenkins | 70 | — | — | — | 9.1 | 20.0 |
| 34 | 28 | Scruttons "A" | 30 | — | — | — | — | 7.7 |
| 87 | 66 | Torday and Carlisle | 69 | — | 5.0 | 7.2 | 3.5 | 6.3 |
| 370 | 320 | Trevian Holdings | 330 | — | 7.9 | 2.4 | 6.9 | 9.1 |
| 53 | 25 | Unilock Holdings | 53 | — | 2.1 | 4.0 | 14.4 | 14.1 |
| 175 | 83 | Walter Alexander | 175 | — | 8.6 | 4.9 | 9.8 | 12.1 |
| 226 | 195 | W. S. Yeates | 200 | — | 17.4 | 8.7 | 5.7 | 9.8 |

# FINANCIAL TIMES SURVEY

Tuesday April 8 1986

# Employee Ownership

As many lose faith in conventional capitalism and socialism, the search for a third way of organising employment is suddenly more urgent.

## The road from Rochdale

**By John Lloyd**

JOB OWNERSHIP'S time may be coming. By job ownership, we mean any and all schemes which give workers some direct stake in the companies or organisations for which they work.

The times look more propitious for the *movement* because, while there is a general disaffection with conventional capitalism (not least because of *high unemployment* throughout most of Western Europe) there *is also a general loss of faith* in conventional socialism, defined as state ownership, among the socialist and even the communist parties of the West. The search for a third way is thus more urgent than usual.

The defenders of the first two ways would claim that they offer at least a measure of *job ownership*. Conventional capitalism, it would be said, *is open to all* people of talent: a future Sainsbury or *Macy is presently* shouting for custom in a London or *New York street* market.

On the state ownership side, *fundamentalist socialists say* that ownership of the major assets by the state is "public" ownership, held in trust for all the people regardless of wealth, class, race, sex or ability.

But, for the advocates of job ownership, such arguments cut less and less ice, because they are seen to be more and more abstract. Conventional, big corporate capitalism may in theory be open to all to become owners; but in practice, by its own rules, it must severely limit the successful. State ownership is seen by few as being genuinely public: *often least* of all by those who work with it.

*Historically, job ownership* has often been in practice the *attempt by workers to take over* the ownership and running of *their own enterprises*, usually after a strike or a market collapse has driven them near to ruin: there has also been a strong *strain of* "top down" philanthropic endeavour, of which Robert Owen's experiments at New Lanark are the most famous British example.

The 19th century French Enterprises Ouvrieres, deliberately contrasted with the Enterprises Patronales, founded a vigorous co-operative movement which was customarily aggressively anti-capitalist, and which survived to this day: similar developments occurred in Italy, where the flourishing co-operative sector is to a significant extent linked to the powerful and increasingly market-orientated Communist party.

In the UK, the beginnings of producer co-operating in the early-mid 19th century were marked by a mixture of Christian socialism and working-class efforts to get rid of the boss.

The most famous group, the Rochdale pioneers, succeeded in founding a co-operative cotton factory in 1854. It survived the slump in prices in the late 60s, and flourished in the 80s boom; but then it opened its door to new, non-working shareholders who financed a *new* mill, and quickly became just another joint stock company.

By the early part of the 20th century, there were a little over 100 co-ops, and their numbers tended gradually to decline. Politically, they attracted few friends from right or left: the capitalists saw them, correctly enough, as business failures or simply antechambers to conventional companies: the left, heavily influenced by the trade unions which saw them as a threat and Fabians like the Webbs who thought them unsocialist, turned its back on this route in favour of state ownership and class-based trade unionism.

*The 1970s saw a revival of* interest in the subject in the UK, as a *Labour government* took office, pledged to introduce measures of industrial democracy.

The debate, stimulated by the publication of the Bullock Report on the subject, resulted in little more than a short-lived and largely unpopular experiment in the Post Office, in which the Board was recomposed to include equal numbers of management and trade union nominees, with a handful of "independents" holding the balance of power. It produced little or no change at the base, and was terminated soon after Labour lost office with little evident regret.

*More important, though no* more successful, the brief tenure *of the Department of Industry* by Mr Tony Benn (1974-75) *resulted in the financing of three* co-operatives: the Meriden *motor-cycle plant, Kirby Manu*facturing and Engineering, and *the Scottish Daily News (for*merly Express).

*The ultimate failure of all of* these masks substantial *differences between them*. The SDN failed rapidly, in spite of the involvement (some would say because, but that is unfair) of the socialist businessman Mr Robert Maxwell: it never achieved a stable circulation.

Kirby, making domestic appliances, never was able to get its workforce involved to the point of substantially changing old anti-boss attitudes; and at Meriden, though the commitment was huge, the co-operative was damaged by going through what Mr Robert Oakeshott (in his book "The Case for Workers' Co-operatives") calls a "primitive Christian" phase during which they would not *hire professional managers* because they distrusted all management.

Developments elsewhere have proved to have more lessons for the enthusiasts for job ownership. Perhaps strongest of all, the experience of the Mondragon co-operative, in Spain's Basque country, has become a beacon for co-operatives everywhere.

In the US, a quite separate development was producing a different kind of success. Popular capitalism, a *strain which* had remained vigorous since the *Founding Fathers*, was modernised by Louis Kelso and Mortimer Adler in the 1950s and 1960s, and incorporated in a *Capitalist Manifesto*, the basis of the Employee Share Ownership Plans (Esops).

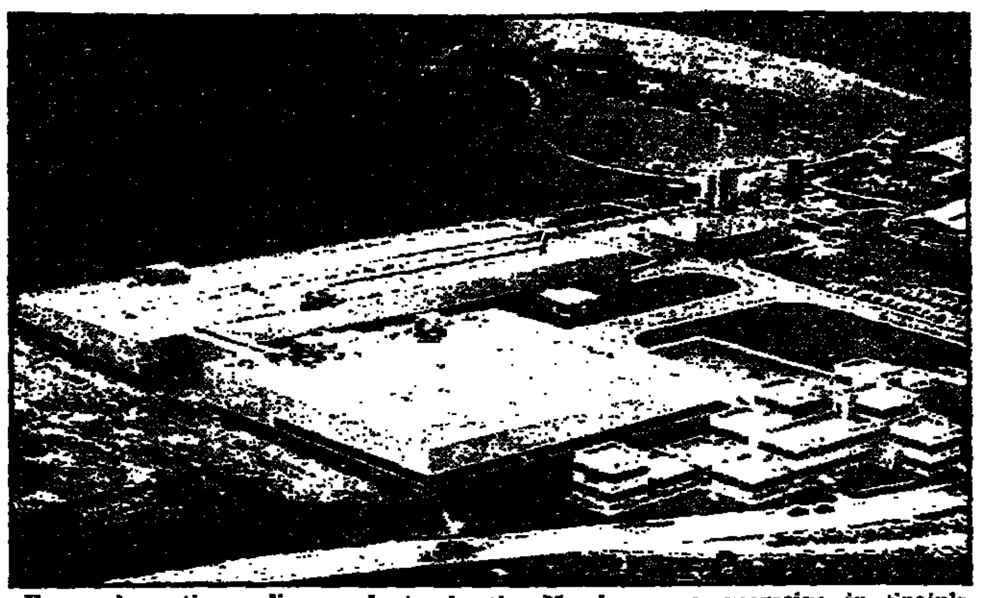
Partly because of the diversity of job ownership strategies, they are now attracting large interest from all shades of the political spectrum.

The other main reason — perhaps the major one — is that *most politicians* have become convinced that large corporations will not, *in the main, again* expand their labour forces, no *matter how successful they are* nor how much the given *national economy is reflated*.

Increasingly, a consensus is *forming which points to small* businesses as the main sector *for providing employment* — hence the enormous concentration on the *figure of the entre*preneur.

We may be witnessing, then, the growth of either a popular capitalism—or a non-statist socialism—or the two may be the same phenomenon.

It is hard to envisage these growths, fascinating and important as they are, easily displacing the monoliths of the private or the public sectors in the next decade. But it is easier than it has been for some time to believe that the spirit, both of co-operation and of involvement in the marketplace, is walking abroad more freely.



Fagor domestic appliance plants, in the Mondragon co-operative in Spain's Basque country. Mondragon has become a beacon for co-operatives everywhere

See Robert Oakeshott's profile article on Page 3.

## Sharing in, buying out

### Partial ownership

DAVID THOMAS

EMPLOYEE OWNERSHIP comes in a variety of forms in Britain. There are fully employee-owned worker co-operatives, discussed in another article. There are companies which distribute shares to their *managers and/or employees*, usually as an incentive payment *using tax breaks contained in* recent legislation.

*There* are privatised companies, where management and employee shareholding is either central, as in the National Freight Consortium and some of the privatised shipyards, or a small element among a wide spread of shareholders, as with British Telecom.

A *half* of all companies with more than 10,000 employees already lay on an employee share scheme, according to a recent report by Copeman Paterson, a management consultancy. Yet it is certain that the interest in employee ownership will grow, not least because of Government backing.

Scarcely a Budget goes by without some refinements to the three main schemes which encourage employee share ownership: the 1978 profit-sharing scheme; the 1980 save-as-you-earn scheme; and the 1984 discretionary share scheme usually reserved for senior managers.

In addition, management buy-outs are in vogue among financial institutions. The pace of privatisation looks set to quicken. Unions too, are getting in on the act, through the medium of Unity Trust, the *union-backed bank*, whose senior executives have recently re*turned from the US determined* to introduce employee share *ownership plans* in Britain.

The Industrial Participation Association has *found* that the profit sharers did significantly better during the eight years up to 1984: for example, their earnings per share were 12 per cent better and their return on capital employed was 33 per cent better.

In their book, Management Buyouts, published last year, Mr John Coyne and Mr Michael Wright of Nottingham University found that management buyouts tend to take on labour after the buyout has been completed, *though admittedly* after a period of job shedding in the *run-up to the buy-out*.

However, more cautious notes *have also been sounded*. A recent study by Incomes Data *Services concluded "there is* very little evidence from de*tailed analysis that these* schemes do in fact change *employee attitudes." The Cope*man Paterson survey found that *between 35 and 45 per cent of* companies reported that employee share schemes had had only a small effect in areas like pay negotiations, productivity, recruitment and staff turnover.

There are some structural problems too. The Inland Revenue has approved more schemes under the 1984 discretionary provisions for senior management than under the 1978 and 1980 provisions put together. Some people think that wider share ownership is in danger of being seen as a perk for senior management.

Mr David Reid, a specialist in employee share schemes for Clifford-Turner, the solicitors, points to an extraordinary anomaly in the present law whereby senior executives, but not ordinary employees, get tax relief on money borrowed to *invest in their company*. The Wider Share Ownership Council *has urged the Treasury to con*sider making tax relief for *executive share schemes condi*tional on a company running a *scheme for all employees*.

A similar problem is why are *there plenty of management* buyouts, but fewer buyouts involving most of the workforce. Mr Roger Brooke, a management buyout specialist for Candover Investments, suggests this is because of the speed with which most buyouts have to be organised and because most lending institutions are primarily concerned about the motivation of the top managers.

Three success stories

# Partners for 60 years

JOHN LEWIS Partnership, the retail group, has a history of employee ownership stretching back well beyond the current interest in employee ownership.

The partnership principles date from the 1920s. Mr Spedan Lewis, the driving force behind the establishment of the partnership, so it is said, was dismayed to realise that the income drawn by his father, brother and himself from the business in the early 1900s was more than that paid to the rest of the staff in total.

So the John Lewis Partnership considered the Chancellor's conversion, which he dwelt on in last month's Budget, to the idea of some part of earnings varying in relation to profits, old news.

"That is what the partnership has been doing since 1929," was the response of Mr Peter Lewis, current chairman, and nephew of Spedan Lewis, the partnership founder.

He added: "It has for some time been strange that employees in by far the most comprehensive profit sharing and employee ownership organisation in the UK have been excluded from the very tax benefits that are said to be for the encouragement of such incentives."

Last year, the partners—all staff except temporary employees—shared about £31m as a "partnership bonus." This amounted to a fifth of each employee's pay.

The partnership is not just a matter of profit-sharing. It depends, too, on information-sharing; for instance, through the company's weekly Gazette, which carries letters, often unsigned, raising everything from the supposedly long leave enjoyed by the deputy director of trading, to the plight of a homeless employee and the decision of a Waitrose supermarket in Newmarket to stock Worcester sauce but not Lea and Perrin's fruit sauce.

Managers are accountable to their fellow partners, the rest of the employees. The apex of John Lewis's consultative arrangement is the elected Central Partnership Council, which represents all grades and occupations. The council nominates five of the 12 directors on the company's board, and has the ultimate power of replacing the company's chairman.

## NFC

THE National Freight Consortium is widely considered the jewel in the crown of recently established employee - owned firms and with some justice.

Since the company's managers and workers took over four-fifths of the equity in 1982, in one of the Thatcher government's earliest privatisations, the company has combined both very tangible business achievements with innovations in the field of employee involvement.

So when the company unveiled its latest report and accounts, it was able to boast both a 54 per cent increase in trading profits and nearly 4,000 new employee shareholders.

Sir Peter Thompson, NFC chairman, has no doubts that employee ownership has been fundamental to the group's success. He describes it in almost mystical terms as "the hidden plus factor" and "the magic ingredient."

Yet there is nothing particularly mysterious about how the the company has been altered by having more than half its workforce holding shares. It is a simple matter of the workers having a reason for taking a greater interest in the health of their company. Depot managers are full of stories of drivers thinking hard about finding new business.

NFC workers who bought shares back in 1982 have seen their value rise 22-fold in response.

The company has put a lot of effort into finding out what its employee shareholders really want—not just at the packed annual meetings which regularly generate media attention, but also at 32 shareholders' meetings held in the regions each year. Special shareholders meetings were called in 1984, when the top managers were drawing up their broad strategy for the second half of the decade.

Through these means, the company was able to take its employees with it when it expanded into new businesses, such as the bulk supply of liquid petroleum gas, the security business and car leasing, and into foreign markets such as the US.

Spedan Lewis founded the John Lewis Partnership.

## BAXI

THE BAXI Partnership, the heating appliance manufacturer based in Preston, is in the process of transforming itself from a family-owned company, which was always strong on employee participation, into a full employee-owned company.

Family share holders, led by Mr Philip Baxendale, the chairman, sold out their holdings in 1983, but they did so in an unconventional way. They sold out to an employee trust, which at first held all the shares but is gradually transferring them to all employees through a free share issue each year. The 1,040 employees so far own about 11 per cent of the shares.

The Baxendale family decided it could not sell the company in the normal way, because it feared that a competitor would move in and close the operations. "The people who had helped me build up the business would lose their jobs, and I didn't feel it was mine to sell in that sense," Mr Baxendale says.

A Partnership Council, with members elected from the employee shareholders, was set up to reflect this transfer of ownership. Mr Baxendale likens its role to the joint worker-management supervisory boards in West Germany.

One interesting decision made since the company became a partnership is not to make acquisitions away from Preston, reflecting the wish of the workers that any growth should benefit the local community.

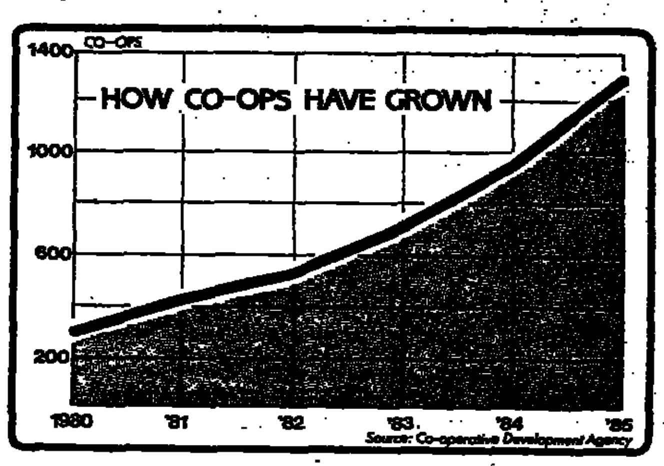
With a pre-tax profit of £5.5m on a turnover of £38m last year, and with employment up from 900, in 1983, to 1,040 now the company certainly seems successful. Yet Mr Baxendale is careful not to exaggerate the benefits of employee ownership.

He stresses that the company had been participative for a long time: it has had a works council since 1963 and profit sharing since 1965. So the move to employee ownership was evolutionary not revolutionary.

Mr Baxendale and Mr Ian Smith, managing director, reckon that employee ownership has brought clear benefits other than an all-round improvement in attitudes.

One gain, the chairman says, is on quality. Another, Mr Smith suggests, was the smooth way in which the company was able recently to introduce a common status for all employees.

**David Thomas**




# Esop's fame is spreading

## The US

JOHN LLOYD

WORKERS' CAPITALISM, in which interest is now being aroused in a number of Western European countries, is best seen at work in the U.S.

Most attention has now focused on the employee share ownership plans, or Esops. The most common example of the scheme (known as "leveraged Esops") is where an employee trust acquires shares in the company, through a loan guaranteed by the company and paid back by company profits which are exempt from tax because these payments are counted as deferred wages. As the loan is paid off, the Esop shares are allocated to the employees' accounts, but the employees do not realise the full value of their shares until they leave the company.

Esops are not merely a new kind of co-operative: indeed, their origins and their structure ensure that control generally remains with professional managers and with the trustees, who are typically lawyers and financial advisors. Only when the Esop is so structured as to dictate that the trust committee follows the voted decisions of the shares' owners—that is, the company's workers—does a "democratic" version of an Esop come into being. Some of these include the Solar Center, in San Francisco; Atlas Chain, in Pennsylvania; and Seymour Speciality Wire Company, in Connecticut. These companies use what has been called a two tiered scheme—where the employees mandate the decisions of the trustee board—in order to keep effective control in the hands of the employees.

Union leaders in the US were initially hostile to Esops. However, under pressure of growing numbers of business failures, US unions were drawn more and more into plans to save threatened corporations—and turned to Esops as one way to do so.

In 1984, when the Frontier airline was near to collapse, the flight attendants, led by Ms Lorraine Liffin and backed by four unions, made a bid through an Esop of 17 cents per share for the company. The bid was beaten, and the company finally acquired by People Express, itself an employee-owned corporation.

The practice is spreading. In the past month, Unity Trust—the new bank set up two years ago with finance from a group of major unions—has taken up the Esop idea and is seeking to apply it to BL's Land Rover division, which it is presently interested (as one among others) in acquiring.

Malcolm Hurlston, an adviser to Unity Trust, says: "Britain's new interest in Esops comes at a time when American unions are beginning to become active rather than passive players in the game. Britain is now in a position to take up the best of American experience and adapt it, at a time when there is a political consensus in favour of employees having a role in ownership."

Martin Weitzman, the Massachusetts Institute of Technology professor who has done much to popularise the concept of profit sharing, sees it first and foremost as a means of increasing employment. He says:

"Other things being equal, under a profit sharing system the firm is more inclined to expand employment and output than under the corresponding wage system.... Roughly speaking, the short term response of a (profit sharing) economy holds the quantity of hired labour (and output) at its full employment level, with the disequilibrium showing itself on the price (or value) side (workers are temporarily not paid their marginal value)."

### 'Personal rights'

"Wage economies, on the other hand, tend to respond to contractionary shocks by holding equilibrium prices (or values) in line (workers are always compensated their marginal value), while the quantities of employment (and output) decline."

There exists, however, a co-operative sector in the US which—though not as large as the Esop sector—has continued to thrive in a small way. One group are the so-called "plywood co-ops"—the grouping of plywood companies in the Pacific North West, which represent the older co-operatives.

Some newer co-ops have begun in the past two decades, explicitly modelled on the Mondragon experience. In these, according to David Ellerman, of Boston Management College, "the ownership or membership rights are personal rights attached to the role of working in the firm—so the workers hold these rights, because they work there."

The debate in the US points up the sharp differences between the co-operative and the Esop structures. In the first, the democratic participation in the running of the company, or at least in the major decisions taken is a large—perhaps the largest—part of the impetus in creating this form of company.

Workers' capitalism, however, is concerned with different goals—whether these are the maximisation of employment, or the maximisation of employee involvement in capitalism, or simply the maximisation of profit given a new kind of "democratic" or at least populist, sanction.

# Alternatives to dole

## Co-operatives

DAVID THOMAS

A DISUSED Coventry engineering factory, which squats beneath the railway arches carrying the Nuneaton branch line, has been turned into small workshops for producer co-operatives.

Eighteen months ago the co-ops filled half the factory space. Today, with about 25 co-ops employing more than 100 people, they have expanded to fill the whole factory. A theatre group, a manufacturer of cycle stands, graphic designers, a boat builder and computer workers — all these co-ops are huddled into the Coventry factory.

Worker co-ops are one of the surprising success stories of the 1980s. A decade ago, they seemed relics from the past. A small number, mainly in the East Midlands, had survived unnoticed from the last producer co-op boom in the closing years of the Victorian age. What new initiatives existed were divided unpromisingly between the 1970s "Benn co-ops," like Meriden, and the wholefoods-and-sandals fringe.

In the 1980s, all that changed. In 1980, there were 305 co-ops employing 5,300 people. By last year, about 1,300 co-ops were employing well over 10,000 people.

There is greater variety now too. Ten years ago, new co-ops tended to be the creation of well-educated, middle class idealists. Such co-ops still exist, but they have been joined, and if anything out-numbered, by co-ops started by middle-aged redundant manual workers and by young people who have never had a steady job: both groups see co-ops as the only alternative to the dole.

British co-ops have been strong enough during the last two years to organise their own international trade fair in Kensington Town Hall.

Research by Mr Saul Estrin of the London School of Economics, admittedly on co-ops which existed before the recent boom, suggests a link between the performance of co-ops and the degree of participation which their structure encourages from members.

Yet not everything is rosy. A recent report on workers' co-ops by the Co-operative Bank and PA Management Consultants urged action in three main areas: improved management, the freer raising of capital and the acceptance by co-op members of defined roles within the company they control jointly.

The first two — management and money—are the same problems identified by Beatrice Webb when she wrote about producer co-operatives almost a century ago.

- Management. "The deep long-run problem is education and training," according to Mr George Jones, CDA chief executive. Many co-ops are set up by workers who know how to make a product, but lack skills such as finance and marketing.

Co-op support agencies, like the CDA, have long been involved in running training courses for co-op members. But now they are branching out into more direct activities to plug the management gap.

For instance, the CDA has recently come up with the idea of encouraging co-ops and other small businesses to band together to form a co-op of their own for marketing purposes.

This idea of a second-tier co-op has found its first example in the Independent Designers' Society, a co-op set up to help market the work of about 50 furniture designers and small manufacturers, and fabric designers and manufacturers.

- Money. Co-op purists are reluctant to bring outside capital into a co-op lest it reduce the control of the co-op members. That constraint can inhibit development.

To meet this problem, the CDA has devised an Equity Participation Co-operative with two types of shares: the first restricted to co-op members gives enhanced voting rights, the second is available for outside investors.

# A difficult time under the left

## France

PAUL BETTS

THE FRENCH co-operative movement has been undergoing a major upheaval. The last few years of Socialist government, now ended by the formation of a right-wing government led by Mr Jacques Chirac, were ironically among the most difficult in its long history.

When the left came to power in 1981, with the victory of Mr Francois Mitterrand in the presidential elections and the subsequent Socialist landslide in the general elections, the co-operative movement expected a new era of expansion.

The Socialist government, at the beginning at least was extremely favourable to the co-operative idea as a source of new jobs. But with the recession and the change to a policy of economic rigour, the co-operative movement inevitably felt the impact of the squeeze.

However, the shift in the Socialists' economic approach can hardly explain the extent of the difficulties the co-operative movement has faced lately.

The glassworks of Albi, France's oldest co-operative, started by Jean Jaures, the founder of the French Socialist party, has been forced to lay off workers in the year of its centenary.

The FNAC, the book and consumer electronic goods discount store chain, a flagship of the Co-operative movement, has been taken over by the Garantie Mutuelle des Fonctionnaires and Habitat-Mothercare.

At the end of last year, a major financial rescue package of more than FFr 1bn had to be put together to support the troubled distribution co-operatives.

Among the more dramatic events, the Co-op du Nord Pas de Calais, the country's oldest distribution co-operative based in the industrial north-east and dating back to the previous decade, went bankrupt.

Elsewhere, at Saint-Etienne, the industrial city in central France, a bankruptcy court last year placed the final nail in the coffin of SCOP Manufrance by declaring the co-operative venture liquidated.

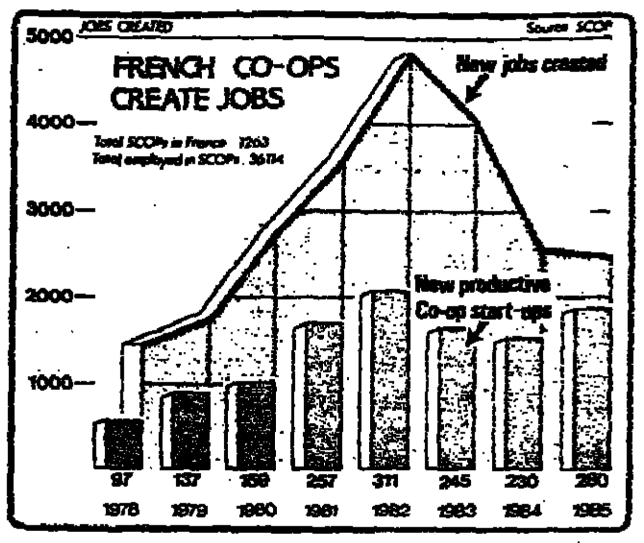
Manufrance had major psychological repercussions for the co-operative movement. It represented an unsuccessful attempt by the pro-Communist CGT union to set up a co-operative to salvage a bankrupt company dating back to 1885 and known as "the old lady of Saint-Etienne."

Behind these spectacular cases lies a fundamental problem: the failure of the co-operative movement to adapt quickly to major changes in both French industry and commerce, acknowledge leaders of the co-operative system.

Changes in the marketplace have inevitably forced a change of thinking on the co-operative movement. As a represenative recently said: "The movement has not lost its soul. But its businesses must now be managed as efficiently as those in the private sector."

This pragmatic approach has already permeated the industrial and productive sector of the French movement, far more than the distribution field. The industrial and productive co-operatives are grouped in an association called the Societes Co-operatives de Producture (SCOP). While this sector has not been spared its share of problems, difficulties have been offset by the continued growth of the new productive co-operatives and a number of specific success stories.

Last year, for example, 280 new productive co-operatives were set up, creating 2,500 new jobs. The year before, 230 new co-operatives created 2,577 jobs.




# New challenges in centenary year

## Italy

CHARLES SOUTH

DAMS IN Mozambique and Zimbabwe, roads in Tanzania and Somalia, grain silos in Iran and Algeria are among foreign orders won by Italy's ninth largest construction and civil engineering firm.

It is not a private or a state company, but the country's leading industrial co-operative, owned by 1,888 workers out of a total workforce, including temporary and foreign labour, of 4,032.

Cooperativa Muratori e Cementisti (CMC), of Ravenna doubled net profits in 1984 to L11,033m (£4.9m). Among others, almost as well known, are Edilter, of Bologna, and CMB, of Carpi in Emilia.

They are three of the 1,340 "production and labour" (manufacturing and construction) co-ops among the 15,422 in the League of Co-operatives, which celebrates this year the centenary of its foundation.

The League makes the greatest economic impact of the three main groupings in the co-operative movement. The Catholic-inspired Confederation is larger, with 4m members in 22,678 co-operatives (11,532 in production and labour), generating overall turnover in 1985 of about L15,000bn (£6,700m).

The efforts of its president, Dario Mengozzi, have been absorbed in organising recovery from the brink of a financial disaster which loomed under his predecessor, a member of the banned P2 masonic lodge.

The smallest grouping, the Association, incorporates about 850,000 Republican and Social Democrat sympathisers in 6,328 co-ops (1,179 in production and labour).

The League, if it is to meet the challenge of 21st century capitalism, has decided that a fundamental reorganisation is necessary.

The changes stem from the realisation that the League has hitherto been too much of a mass organisation, structured like a trade union or political party, and that it much instead become a *sistema di imprese*, an integrated system of businesses. There must be less ideology and more management, without loss of the humane spirit characteristic of the movement.

Besides making changes in the organisational layout, the League is strengthening its financial and technical back-up. It already has the fast-growing Unipol, which in 14 years has moved from being the 120th to the... ninth Italian insurance company, and Fincooper, a financial consortium of 1,600 member co-ops that acts as an internal bank.

Now the League has established a commercial bank, Banca Nazionale dell'Economia Cooperativa, which awaits Bank of Italy authorisation to start operating. It also plans a finance company, able to attract funds from the public for investment in co-operative enterprises. Unipol, meanwhile, has broken new ground by applying for a Milan Bourse listing.

The movement is pressing for further reforms of legislating. At present a ceiling of L30m (£13,300) is put on a member's stake in an industrial co-op, and of L40m (£17,800) on what he may lend to it. Not more than 12 per cent of members may be white collared. Co-ops are unable to float bond issues.

Many manufacturing co-operatives are in traditional activities, in the wake of the original venture at Altare, in Liguria, in 1856, when the local doctor ensured the survival of the village's art of glass-blowing after a cholera outbreak by getting 84 craftsmen to pool their efforts. A few, such as an iron foundry at Modena and La Ceramica ceramics co-op, at Imola, in Emilia, belong to both the League and the Confederation.

Others are more specialised. The former Pozzi-Ginori works, at Livorno, a rescue operation by the workers, is the only plant in Italy making large-scale insulators for the electric power industr. SACMI of Imola, with 281 members, is highly profitable and claims to be world leader in supplying plant and equipment for ceramics and tile manufacture.

Some are small or struggling. Cooptex-84, with 28 members at Ottana in Sardinia, has carved a niche with a sub-contract for the "tow to top" process for a big ENI artificial fibres plant there. On the other hand, Zetronic, at Padova, which ran into marketing difficulties abroad for its electronic components, has succumbed to a takeover by a private US company, Molex, though the 376 member co-op retains a minority holding.

No cross-section of self-ownership should fail to mention the ventures set up by professional people in informatics and software, town and country planning, environmental preservation and waste recycling, and other advanced technological services. Some of those in the League have a strong ideological motivation, being formed of ex-students in the ferment following 1968. Such initiatives are a growth area for the future, indicative of a changing emphasis in self-ownership from the working to the middle class.

PROFILE: MONDRAGON

By ROBERT OAKESHOTT

# Basque gas cookers are coming to Britain

THERE ARE two quite separate ways in which the Mondragon co-operatives, in the Basque provinces of Spain, may have come to the attention of today's British public.

First, they have been increasingly presented as a kind of improved "industrial order"—a model for the last quarter of this century, in much the same way as Robert Owen's New Lanark was seen in the first quarter of the last.

Second, and particularly over the last couple of years, the Mondragon co-operative group has started to win a share of Britain's white goods market, especially its market for gas cookers. From virtually zero sales in 1982, its gas cookers sold under the brand name Fagor, captured roughly 8 per cent of the UK market and sold 45,000 units in 1985.

Any balanced review in 1986 must attempt to do justice to the group both as a set of businesses and as pointing to the possibility of a new, and employee-owned, industrial order.

Under the first of these headings, it is fair to quote at the outset a judgment of the Spanish business magazine, *Dinero*. The group's gas cookers and other "white goods" are manufactured by the oldest and largest of the Mondragon co-operatives, Ulgor. In a list which included six Spanish subsidiaries of multinationals, Ulgor was named by *Dinero* as one of the country's 10 "exemplary" companies.

Ulgor was launched from scratch by five young engineers and with a workforce of just 24 people in 1956. It had been inspired by a remarkable Basque priest, Fr Jose Maria Arizmendiarrietta, till his death in 1976 unquestionably the group's "spiritual entrepreneur." But he was also much more than that, for his hand lay behind the rules of co-operative worker ownership which the group has adopted.

At least in a drawing-board sense, he was the architect of its major institutions: above all, its increasingly celebrated savings and investment bank, the Caja Laboral Popular (CLP).

The statistics in the table give some indication of the scale and size of the group at the end of last year. A single enterprise employing 24 people in 1956 had become a diversified group employing a workforce of over 19,000 some 30 years later.

There are a handful of agricultural co-ops in the group. There arehousing co-ops, and a network of schools structured in a co-operative form. There is also a rapidly expanding chain of retail stores. But it is the industrial ventures that account for the great bulk of both sales and employment, and which have provided the group's cutting edge since the beginning.

ULGOR has already been mentioned. Since the early 1970s it has been the leading Spanish-owned producer of white goods. Machine tools, earth moving equipment, bicycles, bus bodies, building materials of various kinds, and an array of components, especially electrical and electronic ones, are among the other main products which the group manufactures. The cost of jobs in new manufacturing ventures promoted by the group in the last few years has typically averaged about $30,000.

The diversity of products manufactured by the industrial co-ops is matched by the diversity of their size. As against a current Ulgor workforce of 2,200—roughly two-thirds of what it was atits peak in 1980—the smallest industrial units in the group employ fewer than 20. Their average workforce size, excluding Ulgor, is around 150.

The figure has perhaps even less significance than averages usually do, for the individual industrial co-ops have increasingly linked themselves into sub-groups. Of these the largest and most important is called Ularco. It embraces a total of 13 co-ops, including Ulgor, and its workforce numbers close on 8,500. All Ularco's output is now marketed under the trade name Fagor.

Up to 10 years ago, studies of the Mondragon group were mainly the work of people who could in some sense be regarded as enthusiasts. But more recently the co-operatives have been subjected to searching analysis by hard-nosed economists. In particular, they have been "gone over" in both the expansion and recession phase of the business cycle by Dr Keith Bradley, of the

CONTINUED ON NEXT PAGE

**Key structural features of Mondragon's industrial co-operatives**

- Sovereignty rests with the General Assembly of all worker owners.
- The General Assembly elects directors, who appoint management.
- Only workers may be members.
- With minor qualifications all workers must be members.
- Joining members must put up a significant capital stake (at present about £2,500).
- Up to 70 per cent of net profits may be allocated to members, but must be reinvested.
- The balance of any profits must be allocated to a combination of reserve funds or to social projects in the community.
- Members may not withdraw their accumulated shareholdings till they leave.
- There is a commitment to an "open door" policy, which means that, other things being equal, employment expansion must be priority.

# Watch out for the cross-party consensus

THOSE WITH a taste for the long march of history can trace back this country's political-party interest in profit sharing and employee ownership to the famous report, *Britain Industrial Future*, published in 1928 as the outcome of a Liberal Party industrial enquiry.

Ten years later, the party was beating much the same drum with another report, *Ownership for All*, which was praised in a Manchester Guardian leader for "breaking new ground."

Nearer to our own times, it was, of course, as a result of Liberal pressure during the Lib-Lab pact, that a British Government in the 1978 Finance Act, introduced the first ever tax concessions in favour of profit sharing and share ownership by employees.

If the clock had stopped in 1978, *it is a fair bet that future historians would have discussed*—and dismissed—this Liberal commitment as yet another example of the party's espousal of worthy lost causes. Yet over the last few years, and increasingly over the *last few months*, it is spokesmen for the other

**The future**

ROBERT OAKESHOTT

parties, rather than Mr David Steel, who have sought to *emphasise the virtues* of employee ownership and profit sharing, and their own commitment to them.

It was John Moore, not David Steel, who told a distinguished audience in 1984 that "employees who are also owners will correctly perceive an absolute identity of interest between themselves and the success of the companies for which they work."

It was Roy Hattersley, not David Steel, who told a different but equally distinguished audience last month that "genuine share incentive schemes *increase the wealth* and influence of the employees who take part in them, as well as contributing to the economic performance of the companies."

Moreover, if there is a party which, more than any other, *has devoted intellectual energy* to these issues over the last two years it is the SDP.

David Steel, to be fair, reaffirms in his latest pamphlet, published at the end of March, his party's strong commitment *to profit sharing* and employee ownership.

As we shall see later on, the new political consensus, if there is one, conceals important differences of emphasis and objectives. There may also be more political calculation than conviction behind any Labour and Tory party conversion to employee ownership and profit sharing which has taken place.

But it will not only be the policies of political parties that determine the future of employee ownership and profit sharing in this country and elsewhere. Equally, or more, important will be judgments about the benefits which "industrial partnerships," or similar arrangements deliver. Other articles in this survey provide some of that evidence. What reasonable conclusions may be drawn?

In this country, to begin with, there seems to be good evidence *that limited employee share* ownership, of the kind first made possible by the 1978 Finance Act, is becoming increasingly popular with both the management and the work-forces of otherwise conventional capitalist companies.

**A meeting of the Central Council of the John Lewis Partnership**

But an important rider needs to be added to this positive evidence. Schemes introduced *under the 1978 Act, and later* amendments to it, must be open on an equal basis to all employees. In marked contrast, as their name implies, are discretionary share option schemes, approved under the *1984 Finance Act. The latter* normally benefit only a favoured few. But companies have been introducing them over the last couple of years, even more rapidly than those very different ones under the 1978 Act.

However, the key point about the latter is the increasing evidence that their introduction is divisive. They have a tendency to demotivate the *many, even if they provide very* special incentives for the few. It is not only the opposition parties which have been voicing criticism. The Wider Share Ownership Council has urged that discretionary schemes *should only be permitted* to companies that have introduced "open and equal" schemes, under the 1978 Act, as well.

An insistence on "open and equal" employee (share) *ownership schemes also figures* pre-eminently in a positive set of statements, in favour of them, which has lately been made from a rather unexpected new quarter. Unity Trust is formally registered not as a bank but as a "licensed deposit taking institution." But it has money to invest and, in that and other ways, is more like than unlike an investment bank.

It is owned jointly by the Co-operative Bank and some of our leading trade unions.

Mr Terry Thomas, Unity Trust's managing director, is an important witness in any assessment of the likely benefits of increased employee ownership in this country for he has lately returned from a study - visit to the US. With one important and analytic proviso, he has come back as a most convinced and forceful advocate.

After what he has seen in the US, Mr Thomas believes that genuine employee ownership can confer real benefits not only inside the firm but to its customers. In this respect, his message is very like the main one carried in its advertisement in this survey by National Freight.

His analytical point is also worth bringing out. For, in the UK debate about employee ownership, it is too often assumed that the choice is between relatively limited forms, as under a 1978 Act scheme, or still more substantial employee ownership as at National Freight.

Mr Thomas argues the case for considering a third alternative in appropriate conditions, namely an employee shareholding which falls between 25.1 *and 29.9 per cent. He defends* the lower limit, because it would enable employees voting together to block a special resolution. He defends the upper limit, anyway for quoted public companies, because it avoids any obligation on the part of employee shareholders to mount a take-over bid.

More generally, he is concerned that if employee ownership creeps up beyond the upper *limit, without going the whole* hog, management may tend to be destabilised.

*To complete* this review of the evidence for employee ownership in practice, just one final point must be added. It is often argued that this is something that is less likely to be successful in the context of large companies than small.

The evidence from the three major UK success stores, John Lewis, the Baxi Partnership and National Freight, suggests that the argument is false. It also suggests that, so long as employee-owned firms are able to recruit and retain high-quality management, there is no reason why *the degree of* employee ownership, whether collective or individual, should not extend to 100 per cent.

As well as employee ownership, this survey has had as its focus profit sharing—but profit sharing in the traditional sense, which assigns to employees some part of the return to the joint efforts of capital and *labour which* conventionally goes to the former.

Space does not permit more than a passing reference to profit sharing in the sense in which it has lately come to be used as result of the work of *Professor Martin Weitzman*, of the Massachusets Institute of Technology. This second type is more like share-cropping, or like the share system of remuneration in the Scottish in-shore fishing fleet which has *operated for as long* as anyone can remember.

If profit sharing of this second kind is adopted, labour's fixed wage, or part of it, is replaced by a share of net revenues. It was, of course, to*wards arrangements of* this second kind that the Chancellor, Mr Nigel Lawson, was primarily pointing when he announced his important new initiative in the budget speech.

To support or oppose employee ownership does not necessarily imply any position, positive or otherwise, in relation to profit sharing of the Weitzman variety.

It is notable, for example, that the SDP's draft policy proposals *in* this area cover *both*. Nevertheless, it is also worth remarking that important SDP voices, perhaps above all that of Professor Ronald Dore, have expressed considerable scepticism about the benefits claimed *for the Weitzman proposals* and about the Japanese evidence which he adduces in support.

By contrast, the evidence for employee ownership, though still patchy, seems increasingly to point in one direction. It also seems to be in line with the common-sense proposition that people work best when they work mainly for themselves. *And* it has begun to attract support from the most unexpected quarters.

Could anyone have conceived, even five years ago let alone at the time of the Bullock Report, that its advocates in 1986 would *include Mr. Roy Hattersley* and the managing director of an investment institution with trade unions among its chief shareholders?

What on earth would the Webbs have made of it?



## Mondragon co-ops

Continued from previous page

London School of Economics, and Mr Alan Gelb, of the World Bank: institutions more notable *perhaps* for prudence and credit worthiness than for "enthusiasm."

*These* specialists have concluded that the co-operatives have outperformed their conventional capitalist counterparts in both phases of the business cycle.

During the long upswing, they showed higher rates of growth not only in relation to employment but also in terms of productivity and profits. And they have been strikingly more successful in containing the *effects* of *the recession*.

There have, it is true, been some voluntary redundancies. *But, in the main,* the group has managed to contain the employment effects of the recession by other means. By a readiness to accept lower real earnings on the part of the worker owners; by redeploying members from contracting to expanding co-ops and to newly started ones; and by other policy decisions reminiscent of Japanese businesses—for example decisions to accept zero profits as a price worth paying for extra market share.

The evidence suggests, in other words, that if we are assessing Mondragon's industrial co-ops as *businesses* then *it would not be too strong* to use the same word, "exemplary," which *Dinero* applied to Ulgor. Moreover a close examination of the record would yield much the same conclusion about the CLP as a bank.

As a bank, *CLP's essential* function has been to mobilise local savings and then to invest them to meet the financial needs of the group as a whole. But it has also performed two other crucial functions.

*First*, through the mechanism of "a contract of association" which all the individual co-ops must sign with it, the CLP has exercised a substantial measure of overall control. The contract spells out the main *constitutional and financial rules which* the co-ops must follow. Under the terms of the contract the co-ops are further required to agree their plans and budgets with the bank and to report their results on a monthly basis.

In this way the bank has come to perform functions of entrepreneurial intervention and entrepreneurial initiative, both for the individual co-ops and for the group as a whole. It has done so through what until last year was its "Empresarial Division," now a separate undertaking. This has provided the group with an in-house "general *staff" of high* powered *management* professionals.

If an individual co-operative is in trouble, or if it is contemplating a major investment, then it is these professionals who are called in to advise and assist. Equally, it is they who have had the main responsibility for midwifing new co-operative ventures from scratch.

The main characteristic handicaps of small businesses in general, and of small industrial co-operatives in particular, are inadequate finance and management resources. *But it is* precisely in these two areas that the Mondragon group, because of its highly original institutions, has enjoyed an immense comparative advantage.

But has it also enjoyed a comparative advantage because of its employee-owned and co-operative character? How far can Mondragon's success be attributed to the way its businesses are structured? Two points are worth making.

First, Bradley and Gelb's work includes evidence that Mondragon's worker owners, both management and shop floor, value their co-operative structure very highly indeed.

The second point is about the effects on employment of the Mondragon structures. The *group's commitment to an open-door* policy, of expanding employment wherever possible and sensible is identified as the last of the key features in the box. Perhaps it should be elevated to first place.

In any event, it would be hard to argue convincingly that it did not underpin the enormous expansion of the group during the economy's upswing: from a total workforce of a few hundred in 1960, to a figure of over 18,000 20 years later.

Equally, it would be hard to argue that there is no link *between its structures* and the group's success at maintaining employment during the recession.

But of course, the group's success in the past does not tell us anything conclusive *about what will happen in the* future. The Mondragon co-ops can only point the way to a new industrial order so long as they remain successful as businesses.

**Main Group Statistics End 1985**

| | |
|---|---|
| Industrial co-ops | 90 |
| All other co-ops | 70 |
| Numbers employed | 19,161 |
| Sales | $821m* |
| Exports | $230m* |

*Converted at 155 pesetas to $

*Source: CLP.*

# COMMERCIAL LAW REPORTS

# Digest of cases reported in Hilary Term

FROM MARCH 5 TO MARCH 26, 1986

**Westcott (HM Inspector of Taxes) v Woolcombers Ltd (FT, March 5)**

The parent company acquired the issued share capital of three companies for £1,270,380. It transferred the shares to a subsidiary, Topmakers, in exchange for an allotment of shares. Topmakers sold the shares in the three companies to Woolcombers, another subsidiary, for £601,235. The three companies were subsequently wound up. The market value of assets received by Woolcombers in the liquidation was £601,235. Mr Justice Hoffmann upheld a finding by the General Commissioners that the transfers from the parent company to Topmakers and from Topmakers to Woolcombers, were each disposals by one member of the group to another, so that each acquiring company was deemed to have given the same consideration as that originally paid by the parent company, and the transaction was an allowable loss available to Woolcombers for corporation tax purposes.

*

**Hamblett v Godfrey (HM Inspector of Taxes) (FT, March 7)**

In January 1984 Miss Hamblett, who worked at GCHQ, undertook not to join a trade union in return for which she received £1,000. In dismissing her appeal against a decision that this sum was a taxable "emolument" under the Taxes Act, Mr Justice Knox said that the payment emanated from her employment because: (1) the offer was made to all GCHQ staff and was in no degree personal to her as opposed to other employees; (2) the rights in respect of which payment was made were part and parcel of the employer/employee relationship; (3) payment was received only by employees who chose to continue in employment at GCHQ with the reduced rights.

*

**Haughton v Olau Line (UK) Ltd (FT, March 11)**

Miss Haughton was employed on a German cross-Channel ferry as a temporary supermarket cashier. Her contract of employment was governed by English law, and her employer was an English company based in Sheerness. After Miss Haughton's employment ceased, she instituted a claim before an Industrial Tribunal under the Sex Discrimination Act 1975. The Court of Appeal upheld the decisions of the Industrial Tribunal and the Employment Appeal Tribunal that there was no jurisdiction to entertain Miss Haughton's complaint because her work was done mainly outside Great Britain.

*

**Benline Shipping (Private) Ltd v An Bord Bainne ("The C Joyce") (FT, March 12)**

Under a charterparty shipowners were not to be liable for cargo damage. But the charterparty stipulated that all bills of lading were to be subject to a clause paramount which rendered the shipowners liable under the Hague Rules for damage to cargo. After cargo arrived damaged the charterers refused the shipowners' invitation to take over the defence in proceedings which the shipowners subsequently settled. In allowing the charterers' appeal against an arbitral decision Mr Justice Bingham said that there was no ground on which the court could or should imply into the charterparty an undertaking that the charterers were bound to indemnify the shipowners. Nor could estoppel operate in the shipowners' favour because otherwise the charterers would be faced with a choice between taking over the defence of a claim which they believed to be nothing to do with them, or thereafter (if that belief was falsified) finding themselves bound to indemnify even an ill-founded claim and unreasonable settlement.

*

**Royal Institution of Chartered Surveyors v Director-General of Fair Trading (FT, March 14)**

In an appeal by the Royal Institution of Chartered Surveyors (RICS) from answers given by Mr Justice McNeill to preliminary questions in proceedings for the removal of particulars from the register of restrictive agreements under the Restrictive Trade Practices Act 1976, RICS argued that the charter was a grant by the Crown and as such could not be a restrictive "agreement or arrangement" between members inter se. In dismissing the appeal, the Court of Appeal held that although a personal bilateral agreement with the RICS, he was also bound to comply with the provisions of the charter, which governed his relations with other members. The mere fact that a body was incorporated by a Royal Charter did not confer on it Crown immunity or free it from the effects of the restrictive trade practices legislation.

*

**Regina v Monopolies and Mergers Commission and the Secretary of State for Trade and Industry, ex parte Argyll Group plc (FT, March 18)**

At first instance, the judge refused Argyll Group's application for judicial review of the decision of the chairman of the Monopolies and Mergers Commission that he lay aside a reference, under the Fair Trading Act 1973, of the proposed merger between Guinness and Distillers, on the ground that the original proposal referred to him by the Secretary of State, had been abandoned. On Argyll's appeal, the Court of Appeal held that it was a matter of fact and degree whether a proposed arrangement had been abandoned, and that the question applied only to the proposals existing at the time the reference was made.

*

**The Derbyshire (FT, March 19)**

The Employers' Liability (Defective Equipment) Act 1969, section 1, lays down that an employer is liable for an employee's injury or death where he is provided with faulty "equipment." On the strength of this provision, an action was brought on behalf of the widow and child of Mr Coltman, who drowned when the Derbyshire sank with the loss of all hands. Apparently the vessel's construction was at fault and it broke in two, thereafter sinking very rapidly. Mr Justice Sheen upheld the plaintiffs' contention that in the context of the Act, the plain meaning of "equipment" was all the paraphernalia used by an employer for the purpose of his business, and that this definition was wide enough to include a ship.

*

**Bayer v Winter and Others (FT, March 21)**

Bayer obtained an Anton Piller order and a Mareva injunction in proceedings against the defendants. An order was then granted to use documents, seized by virtue of the Anton Piller order, for proceedings in Switzerland and Austria, instituted with the object of preventing disposal of the defendants' assets in those countries. In refusing to discharge the order, Mr Justice Hoffmann said that it did not offend against principle or policy. While a multiplicity of suits should be discouraged, Bayer had no wish to litigate the merits in foreign courts and the proceedings there were only ancillary to enforcing any judgment which Bayer might obtain in the local action.

*

**In re Holliday and Co. Ltd. (FT, March 25)**

Holdings was the beneficial owner of all the issued share capital of its subsidiary, Holliday. On Holliday's winding up, Holdings asserted that the declared but unpaid dividends due to it from Holliday were an outstanding "loan." Mr Justice Mervyn Davies upheld the liquidator's contention that the dividends were due to Holdings in its capacity as member and not in its capacity as lender, so that they could not be "deemed to be a debt of that company payable to that member" under section 212 of the Companies Act 1948. There was nothing in the dealings between parent and subsidiary companies to indicate an agreement, express or implied, that the character of the dividends was changed to that of a loan, or that recognised a loan situation, the judge held.

*

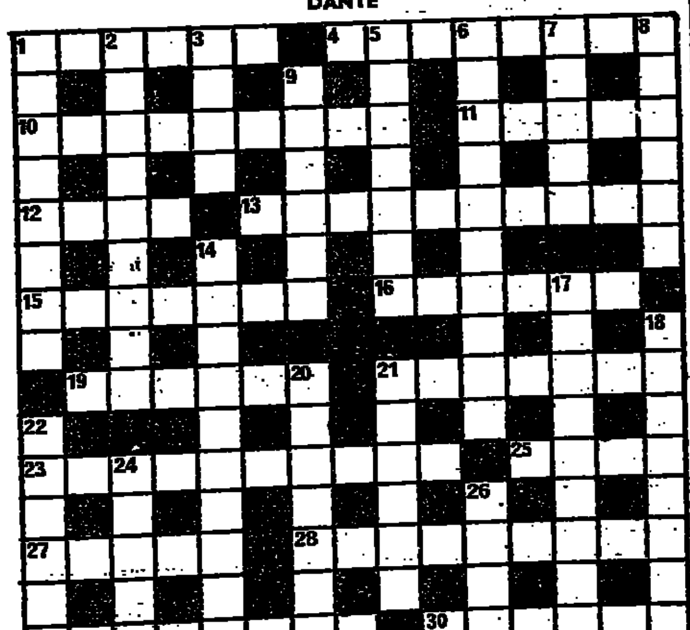
**In re an Application by Generics (UK) Ltd (FT, March 26).**

Generics applied to the Comptroller-General for settlement of terms of its "licences of right" under two patents owned by Allen & Hanbury's Ltd. It was particularly concerned to import from Italy where Allen & Hanbury's patent was not afforded protection. The right to import was banned except in "exceptional circumstances." The comptroller took the view that he had no power to prevent importation from a non-EEC country in the absence of exceptional circumstances. Mr Justice Whitford said that it was within the comptroller's discretion to ban importation from outside the EEC though there were no exceptional circumstances if the public interest so required. Importation from within the EEC must await a ruling from the European Court.

By Aviva Golden

## F.T. CROSSWORD PUZZLE No. 5,991

DANTE



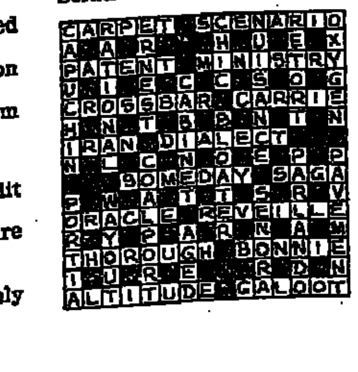
**ACROSS**

1 American sent back in Jack's and Paul's place (6)
4 Always increasing? (8)
10 Submit to pressure and return to the base camp? (5, 4)
11 Baffling question for a model (5)
12 One hundred in it is twice reduced by 50 per cent (4)
13 Strain results from his work (10)
15 Company wildly flinging money about is not exercising it (7)
16 To some extent more willingly (6)
19 Revised point I'd put to Edward (6)
21 Given marks for having been observant (7)
23 Outstanding figure in the finance world (7, 3)
25 Period showing style (4)
27 An out-of-place plea for innocence (5)
28 Litter that may be picked up (9)
29 Danish seaport relies on fashion (8)
30 Worker goes in taxi from Cambridge (6)

**DOWN**

1 Idle indication that credit has finished? (4, 4)
2 Strangely uncordial feature of wet weather (4-5)
3 Inhuman boss (4)
5 In grave trouble, certainly in a pickle (7)
6 Compensation required for port area in ruins (10)
7 Beginning working as a film actor (5)
8 Slips in proofs of humanity? (6)
9 Stop a letter giving settlement (6)
14 Satisfied, I raise no argument (10)
17 Bound to be performed by the ballet-dancer (9)
18 From the old gardener's chest came material for his mate (5, 3)
20 One who treats wounds—in the chest? (7)
21 Even the score by bribery? (6)
22 Shaped like an orange, but able to change (6)
24 Part of the carcase lions chewed up (5)
26 Greek character bestriding N Italian mount (4)

**Solution to Puzzle No. 5,990**






# FT UNIT TRUST INFORMATION SERVICE

## AUTHORISED UNIT TRUSTS

[illegible]

# AUTHORISED UNIT TRUSTS & INSURANCES

**Sentinel Funds Mngmnt Ltd**
30 City Road, London EC1Y 2AY 01-628 6626

| | | | | |
|---|---|---|---|---|
| American Majors | 69 6 | 74 5 | -1 4 | 1 12 |
| Amer Tech & Gen Fd | 105 5 | 112 9 | -0 3 | 0 55 |
| European Growth | 29 9 | 30 9 | -0 2 | 0 03 |
| European Income | 32 2 | 33 5 | -0 2 | 5 00 |
| Energy | Y2 03 | 565 3 | | 2 03 |
| Intnl Growth Fd | 26 1 | 27 9 | -0 2 | 0 13 |
| International Income | 57 0 | 61 0 | -0 4 | 4 96 |
| Jap Tech & Genl | 80 7 | 86 3 | -0 7 | 0 01 |
| Pacific Fund | 144 1 | 154 2 | -0 3 | 0 01 |
| Secure Income Fd | 176 6 | 189 0 | | 4 54 |
| Small Co's Fd | 37 4 | 40 0 | -0 3 | 1 45 |
| Special Sits | 212 1 | 226 9 | -3 0 | 2 18 |
| UK General Fund | 34 5 | 36 9 | -0 1 | 2 32 |

**Standard Life Trust Mgmt. Ltd**
3 George St Edinburgh EH2 2XZ 031 225 2552

| | | | | |
|---|---|---|---|---|
| Income Units | 261 9 | 280 7 | -3 8 | 2 90 |
| Accum. Units | 289 8 | 310 6 | -4 1 | 2 90 |

**Stewart Ivory Unit Trust Mgrs Ltd (a)**
45 Charlotte Sq, Edinburgh 031-226 3271

| | | | | |
|---|---|---|---|---|
| American Fund | 218 3 | 232 5 | -3 0 | 2 19 |
| (Accum. Units) | 245 1 | 261 1 | -3 4 | 2 19 |
| (Withdrawal Units) | 158 0 | 168 3 | -2 2 | 2 19 |
| Australian Fund | 122 3 | 130 3 | -1 0 | 1 02 |
| (Accum. Units) | 123 6 | 131 8 | -1 0 | 1 02 |
| British Fund | 578 2 | 615 8 | -2 4 | 4 32 |
| (Accum. Units) | 778 8 | 829 5 | -3 3 | 4 32 |
| European Fund | 257 2 | 273 9 | +0 9 | 0 90 |
| (Accum. Units) | 270 8 | 288 4 | +0 9 | 0 90 |
| Japan Fund | 254 0 | 270 5 | +0 9 | 0 37 |
| (Accum. Units) | 255 3 | 271 9 | +0 9 | 0 37 |
| Saints PPP | 157 2 | 165 5 | | — |

**Sun Alliance Fund Management Ltd**
Sun Alliance House, Horsham 0403 56293

| | | | | |
|---|---|---|---|---|
| Equity Tst. | 401 8 | 427 4 | -6 3 | 2 02 |
| North America | 57 0 | 60 6 | -1 0 | 1 14 |
| Far East | 64 1 | 68 1 | +0 1 | 0 34 |

**Sun Life Trust Mgmt. Ltd**
107 Cheapside, London EC2V 6DU 01-606 6010

| | | | | |
|---|---|---|---|---|
| American Growth Acc. | 31 4 | 33 5 | -0 3 | 1 4 |
| American Income Acc. | 30 4 | 32 3 | -0 4 | 5 5 |
| American Income Inc | 30 0 | 31 9 | -0 4 | 5 5 |
| European Growth Acc. | 46 6 | 49 6 | -0 1 | 0 8 |
| Far East Growth Acc. | 35 5 | 37 8 | -0 2 | 0 6 |
| Int. Growth Acc. | 32 0 | 34 0 | -0 3 | 2 0 |
| Japan Growth Acc | 44 2 | 47 0 | -0 2 | 0 1 |
| UK Growth Acc. | 37 0 | 39 3 | -0 1 | 2 7 |
| UK Income Acc. | 33 0 | 35 1 | +0 4 | 5 3 |
| UK Income Inc. | 32 3 | 34 3 | +0 4 | 5 3 |
| Managed Growth Acc. | 37 9 | 40 3 | +3 3 | 2 0 |
| Managed High Yield Inc | 46 4 | 49 3 | +1 2 | 7 0 |
| Managed Income Inc. | 35 5 | 37 8 | +0 8 | 3 5 |

**Swiss Life Pen. Tst. Man. Co Ltd (a)(c)**
99-101 London Rd, Sevenoaks 0732 450161

| | | | | |
|---|---|---|---|---|
| Equity Dist.* | 283 3 | 299 7 | | 3 26 |
| Equity Acc.* | 340 9 | 360 7 | | 3 26 |
| Fixed Int. Dist.† | 128 5 | 133 1 | | 10 16 |
| Fixed Int. Acc.† | 188 5 | 195 3 | | 10 16 |

*Prices on April 1. Next dealing April 9
†Prices on April 2. Next dealing May 7

**TSB Unit Trusts (b) (c) (y)**

**Aetna Life Insurance Co Ltd**
401 St John St London EC1V 4QE 01-833 2303
Life Funds (Accumulator Units)

| | | | | |
|---|---|---|---|---|
| Squirrel | 10 37 | 10 92 | | — |
| Bear | 11 22 | 11 82 | +0 05 | — |
| Owl | 11 87 | 12 50 | -0 05 | — |
| Bull | 12 38 | 13 04 | +0 02 | — |
| Stag | 11 79 | 12 42 | -0 06 | — |
| Gilt-Edged | | 10 98 | +0 24 | — |
| Deposit | | 9.56 | ... | — |

Pension Funds (Accumulator Units)

| | | | | |
|---|---|---|---|---|
| Squirrel | 10 91 | 11.49 | +0 01 | — |
| Bear | 12 01 | 12.65 | +0 07 | — |
| Owl | 12 87 | 13.55 | -0 07 | — |
| Bull | 13 64 | 14 36 | +0 04 | — |
| Stag | 12 87 | 13.55 | -0 09 | — |
| Gilt-Edged | | 10 94 | +0.23 | — |
| Deposit | | 9 61 | +0 01 | — |

Exempt Approved

| | | | | |
|---|---|---|---|---|
| Mixed Managed | 131 16 | 133.84 | -0.36 | — |

**Albany Life Assurance Co Ltd**
3 Darkes Lane, Potters Bar 0707 42311

| | | | | |
|---|---|---|---|---|
| Equity Fd Acc (z) | 720.3 | 758.2 | +3.3 | — |
| European Fd Accum(z) | 187 0 | 196.8 | +0.3 | — |
| Fixed Int. Acc (z) | 301.0 | 316.8 | -2.6 | — |
| Gtd. Money Fd Ac (z) | 195 1 | 205.3 | | — |
| Intl. Man Fd Acm.(z) | 289 1 | 304 3 | +0 1 | — |
| Intl Fxd Int Fd Acc(z) | 174 4 | 183.5 | +0.6 | — |
| Japan Fund(z) | 202 5 | 213 1 | -1 8 | — |
| Nth American Fd Acc(z) | 163 3 | 171.8 | +0 1 | — |
| Prop. Fd. Acc (z) | 198.0 | 208 4 | +0 1 | — |
| Multiple Inv. Acc (z) | 499 2 | 525.5 | +1.2 | — |

Pension Funds

| | | | | |
|---|---|---|---|---|
| Eq Pen Fd Acc(z) | 1308.3 | 1377 1 | +8.5 | — |
| Euro Fd Acc(z) | 233 9 | 246.2 | +0 7 | — |
| Fixed Int. Acc (z) | 561.2 | 590 6 | -7 0 | — |
| Gt Money Pn Acc(z) | 313 7 | 330.2 | +0 1 | — |
| Intl Man Fd(z) | 403 5 | 424.6 | -0.1 | — |
| Jap Pen Fd Acc(z) | 256 8 | 270.3 | -2 9 | — |
| N Am Pn Fd Acc(z) | 190.2 | 200 1 | +0 1 | — |
| Property(z) | 288 7 | 303 9 | +0 1 | — |
| Mple Inv Pens Acc(z) | 926 0 | 974 7 | +2.9 | — |

**Allied Dunbar Assurance Plc**
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

| | | | |
|---|---|---|---|
| Fixed Int Dep Acc. | 215 5 | 226 9 | — |
| Equity Acc | 635 9 | 669.4 | — |
| Property Acc | 310 6 | 327 0 | — |
| Far East Acc | 126.4 | 133 1 | — |
| Managed Cap | 311 9 | 328 4 | — |
| Managed Acc | 503 7 | 530.3 | — |
| O'seas Earnings Acc. | 426 5 | 449 0 | — |
| Gilt Edged Acc. | 269.8 | 284 0 | — |
| American Equity Acc. | 356 8 | 375.6 | — |
| American Man Acc | 169 5 | 178 5 | — |
| American Prop Acc | 124 0 | 130 6 | — |
| Pen F I Dep Cap | 237 5 | 250 0 | — |
| Pen F I Dep Acc | 363 6 | 382 7 | — |
| Pen Prop Cap | 379 2 | 399.2 | — |
| Pen Prop Acc. | 641 7 | 675 5 | — |
| Pen Man Cap | 646.0 | 680 1 | — |
| Pen Man Acc | 1092.2 | 1149 7 | — |

# INSURANCES

# INSURANCE, OVERSEAS & MONEY FUNDS

## OFFSHORE AND OVERSEAS

## Money Market Trust Funds

## Money Market Bank Accounts

Western Trust & Savings Limited
The Moneycentre, Plymouth PL1 3SE 0752 24141
High Int Cap Acc ... 11.56 8.64 12.56 Qy

NOTES—Gross, rate to show current from composite rate of tax. Net actual rate after deduction of CPT. Gr Equiv CAR Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

### NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ø Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

## TRADITIONAL OPTIONS

### 3-month call rates

| Industrials | p | | p |
|---|---|---|---|
| Allied-Lyons | 28 | Marks & Spencer | 18 |
| BAT | 38 | Midland Bk. | 44 |
| BOC Grp. | 32 | NEI | 11 |
| BSR | 14 | Nat West Bk | 70 |
| BTR | 45 | P & O Dfd | 45 |
| Babcock | 20 | Plessey | 20 |
| Barclays | 45 | Polly Peck | 16 |
| Beecham | 32 | Racal Elect. | 17 |
| Blue Circle | 55 | RHM | 20 |
| Boots | 26 | Rank Org Ord | 48 |
| Bowaters | 30 | Reed Intnl | 75 |
| Brit Aerospace | 48 | Sears | 12 |
| Brit Telecom | 17 | TI | 42 |
| Brown (J.) | 3 | Tesco | 30 |
| Burton Ord | 32 | Thorn EMI | 35 |
| Cadburys | 17 | Trust Houses | 12 |
| Charter Cons | 22 | Turner Newall | 18 |
| Comm Union | 28 | Unilever | 150 |
| Courtaulds | 26 | Vickers | 40 |
| Distillers | 52 | Wellcome | 19 |
| FNFC | 15 | **Property** | |
| Gen Accident | 75 | Brit Land | 16 |
| Gen Electric | 17 | Land Secs. | 30 |
| Glaxo | 180 | MEPC | 32 |
| Grand Met | 34 | Peachey | 24 |
| GUS 'A' | 75 | Samuel Props. | 18 |
| Guardian | 75 | **Oils** | |
| GKN | 32 | Brit Oil & Min. | 2½ |
| Hanson Tst | 16 | Brit Petroleum | 48 |
| Hawker Sidd | 52 | Burmah Oil | 30 |
| ICI | 50 | Charterhall | 3 |
| "Imps" | 28 | Premier | 3½ |
| Jaguar | 27 | Shell | 55 |
| Ladbroke | 32 | Tricentrol | 15 |
| Legal & Gen. | 79 | Ultramar | 18 |
| Lex Service | 38 | **Mines** | |
| Lloyds Bank | 55 | Cons Gold | 40 |
| Lucas Inds | 60 | Lonrho | 25 |
| | | Rio T Zinc | 150 |

A selection of Options traded is given on the London Stock Exchange Report Page.

# COMMODITIES AND AGRICULTURE

## Indonesia plans to boost tin output

INDONESIA will boost its tin output to 27,000 tonnes this year, from the 22,000 tonnes a year it was restricted to under the now-defunct International Tin Agreement quota system, according to the state tin company, Tambang Timah, reports Reuter from Jakarta.

Mr Sujatmiko, the company's chief executive, said Tambang Timah aimed to contribute 80 per cent of the increase.

"With the quota system abolished we will now be able to have fair competition against non-ITC members who so far have enjoyed smooth trading as a result of the ITC members struggle," he declared.

Indonesia the second largest tin producer after Malaysia, helped to scupper a rescue package for the tin agreement last month when it refused to co-operate unless non-members like Brazil and China were also included.

**LONDON METAL EXCHANGE WAREHOUSE STOCKS**
(Changes during week ending last Friday)
(tonnes)

| | |
|---|---|
| Aluminium | −5,550 to 161,950 |
| Copper | −7,825 to 143,500 |
| Lead | −700 to 64,850 |
| Nickel | −312 to 5,322 |
| Tin | −2,430 to 44,850 |
| Zinc | +1,175 to 40,775 |
| (ounces) | |
| Silver | −1,040,000 to 40,232,000 |

● Soviet officials said 1.3bn roubles (£1.25bn) had been allocated for bonuses to be paid to state farms which meet their grain production targets, as part of the plan to rejuvenate Soviet agriculture through increased incentives and decentralisation.

● THE AUSTRALIAN Wheat Board said it had firm commitments for export sales totalling more than 14m tonnes in its 1985-86 selling season and expects to reach its sales target of 16m tonnes.

● PAKISTAN has lifted import and price controls on edible oils, breaking state-run Ghee Corporation's 13-year-old import monopoly. The decision will be reviewed in three months.

● INSPIRATION Consolidated copper Company, has proposed a 27 per cent cut in wages and benefits for unionised workers at its Arizona copper operations.

The proposal was made at the start of bargaining at the weekend with leaders of nine unions representing 630 hourly employees whose contracts expire on June 30.

● KENYAN tea supplies available in Britain, which last year imported 34 per cent of its tea from Kenya, are unusually low and could fall short of requirements, according to tea broker Combrok in Mombasa.

Despite last year's record market share there was no room for complacency, the firm warned.

DEMAND at yesterday's weekly London tea auction was "fairly good," according to the Tea Brokers' Association's official report.

The average prices for quality and medium grade teas were unchanged at 194p and 154p a kilo respectively while low medium grade was down 2p from last week's sale at 156p a kilo. But selected Assams were strong with gains of 10p a kilo "to sometimes 20p," the

## Comex bids to revive its flagging fortunes

BY STEFAN WAGSTYL

COMMODITY EXCHANGE INC (Comex), New York's rival to the London Metal Exchange, yesterday launched a new contract — the world's first traded option in copper.

Traders hope that it will help restore the exchange's fortunes after the buffeting it has received in the past year. For while Comex has escaped the direct impact of the tin crisis which hit the LME, it has been beset with difficulties of its own.

It is struggling to get over the affair of Volume Investors, a trading company which collapsed last March setting off a spate of law suits and prompting an investigation by the Commodity Futures Trading Commission, the official US market watchdog.

The exchange's argument with the CFTC has come at an inconvenient moment since 1986 is the year that the US Congress carries our a four-yearly review of the CFTC's performance. CFTC has been particularly active of late in its scrutiny of the rules and regulations of US exchanges.

At the same time, Comex, like the LME, is suffering from a severe decline in business. Many investors have deserted metals for the more lively markets in financial futures — a shift which has hit Comex's two biggest contracts, gold and silver, particularly badly. In 1985, turnover on the exchange was 14 per cent down on 1984. In the first quarter of 1986, the decline has continued with business down 8.5 per cent on the first three months of last year.

Comex has lost some of its pre-eminence among the four New York commodity exchanges, which share a trading floor in the World Trade Centre. The New York exchanges have collectively been left behind by their rivals in Chicago which have raced ahead in the development of financial futures, trading bond, currency and stock index contracts.

The traders are worried. The price of a Comex seat is now $70,000, against $100,000 in January 1985 and an all-time high of over $250,000 at the height of the precious metals boom in 1980. Across the floor at the New York Mercantile Exchange, which does a roaring trade in energy and platinum, seat prices have risen from under $20,000 five years ago to around $85,000.

But despite its difficulties, Comex does have some considerable strengths. It is the biggest metal futures market in the US. It does have 778 full members trading futures and options. And it does have the opportunity to take advantage of the weakness of the LME which is struggling to get over the international tin crisis.

The launch of the copper option is Comex's latest attempt to broaden the base of its business. The exchange started the 1980s trading gold, silver and copper contracts. In the last three years it has successfully added gold and silver options. However, a new aluminium futures contract has suffered heavily from competition from the LME.

Comex is now planning to raise the premium for metal quality on its copper contract—to make it more attractive to copper producers—and later to launch a new high grade copper contract. These changes follow a move by the LME to raise the quality of its own high grade copper contract.

More importantly, Comex is proposing its first financial futures instrument—a contract in second-tier Wall Street equities. Comex officials are preparing the ground for it very cautiously, recognising the dominance of the Chicago Mercantile Exchange's Standard & Poor's 500 contract and bearing in mind the very slow start to the two futures contracts in over-the-counter stock indices launched in Chicago last year. Mr Alan Brodie, Comex president, says: "It's very hard to take liquidity from a market that's already there."

**The Commodity Futures Trading Commission yesterday gave high marks to Comex's audit and financial surveillance programme, instituted after the default of Volume Investors Corporation in March 1985. Last year in a nine-count administration complaint, the CFTC named the exchange along with gold options traders and said Comex had failed to enforce its rules regarding speculative position limits. Yesterday, however, the CFTC's division of trading and markets praised Comex and the Comex Clearing Association for strengthening "their audit and financial surveillance systems and procedures." Particularly, the Commission liked the exchange's new "Macro-surveillance report," and the "more formalised co-operation" which it said had enhanced Comex's abilities to conduct financial surveillance. The clearing association has adopted minimum margins for out-of-the-money options for all trades and expanded its capital based position limits to options, the CFTC said. The investigators cautioned that since the Comex improvement is recent, an evaluation of how the scheme is executed must be delayed for a time "to permit the division to observe how the enhanced programme elements operate." An audit and financial surveillance programme must change as demands upon the programme change, they said.**

Unfortunately, Comex officials are still embroiled in the aftermath of the Volume Investors affair. This occured last March when three gold options traders failed to meet a $26m margin call precipitating the collapse of their Comex broker, Volume Investors.

Other Volume Investors customers — mostly professional Comex traders—were furious when the exchange liquidated their accounts, including those which were firmly in the black. These clients have since been repaid in full to the tune of $13.7m but are still angry at the way they were treated. Mr Charles Federbush, co-owner of Volume Investors, has settled with the exchange by paying a share of the debts—but his partner Mr Owen Morrissey is suing Comex for suspending him from membership.

The CFTC has accused Comex authorities of mishandling the affair first by not aggregating the positions of the three options traders and secondly by not acting quickly enough to limit the damage done.

Comex is challenging these charges in a hearing before an administrative law judge which is still in progress. Mr Brodie says the exchange warned the CFTC in advance of the risks the three traders were running and the exchange enforced its rules "100 per cent." It has subsequently tightened up its control of options trading—but so have other US exchanges. Mr Brodie says that with hindsight the risks of options were not clearly enough understood.

"I don't care what anybody says. These things happen. Risk is a fact of business life."

Meanwhile, the CFTC has stepped up its regulation of futures markets in various ways including new requirements for documenting trades so that a more effective audit trail is left behind to make life easier for the regulators if they subsequently investigate the transaction. The CFTC also wants to increase the minimum capital required of brokers. Comex and other exchanges argue that it would be better to concentrate on the rules governing liquidity and margining. Dr Terry Martell, Comex senior vice-president in charge of marketing, says: "It's cash not capital that matters."

## Privatising the plant breeders

**FARMER'S VIEWPOINT**

By John Cherrington

THE GOVERNMENT'S decision to sell the Cambridge-based Plant Breeding Institute and its marketing arm, the National Seed Development Organisation, has been greeted with considerable alarm by many British cereals farmers. They fear that one of the big oil or chemical companies might take over the institute and force them to pay through the nose for their seed supplies. For that reason a section of the National Farmers' Union is looking into the possibility of a consortium of farmers buying the business, or perhaps joining the present PBI staff in a management buy out.

I doubt, however, that there is much danger of a monopoly situation developing. There are several competing seed producers in Britain and on the Continent and there is nothing to prevent a farmer saving his own seed. Many have some quite sophisticated facilities for cleaning and preparing seeds and if they have not there are contractors around who will do the job at a reasonable price.

A cynic might say that the decision to privatise the PBI is no more than an instinctive government reaction to a sector which is causing it a great deal of expense through general over-production. But the causes of the surge in output are more complex. The main stimulus has been the high level of prices, which has encouraged higher spending by growers and the development of weedkillers, fungicides and nitrogen fertiliser.

The best example of what I mean was the development of the dwarf wheats which became one of the prime successes of the Green Revolution. The scientists of the Rockefeller Foundation had been charged with the production of wheats which would stand heavy doses of nitrogen without toppling over, as did many of the existing strains. The Green Revolution has been one of the great practical successes of our times, and it definitely contributed to the present crisis of over-production.

Plant breeding is a long term, highly speculative enterprise which, until the introduction of plant breeders' rights in the early 1970s was very poorly rewarded in Britain. Before the legislation there was no copyright on seeds. A farmer or seedsman could buy some basic seed and multiply it at home for use on his farm or for selling to other farmers, without giving the breeder any further reward.

Under the plant breeders' rights legislation the multiplying and distribution of basic seed in the UK is controlled by a certification system. It is illegal for a seedsman to sell uncertified seed and for a farmer to sell grain to neighbours as seed. Certification does ensure that the farmer is getting the variety he has ordered and that some benefits are returned to the original breeder. No longer will the plant breeder labour simply for love of the task, as many used to the in the past.

In France plant breeders' rights have existed for a long time and this is reflected in French farmers' approach to seed procurement.

French seed houses are generally small family concerns whose sales are miniscule by some British standards. One very well-known French plant breeder told me that his publicity budget for a year was what one well-known British seed house would spend in a week. The French farmers' practice is to buy a small quantity of basic seed and grow it on for his own use. The breeder gets his reward from the sale of the basic seed but there is very little scope for further royalty payments such as have been accruing in Britain up to now.

Nor does there seem to be in France the frenetic chase for new varieties which characterises the British seed-growing industry. This may be a sign of progress, but it may also reflect the seed-breeders' need to keep on puting out fresh strains to counter the tendency of farmers to save their own seed — a tendency which is almost certain to intensify following any tightening of margins for cereal farmers. After all there is a certain £5 or so an acre to be saved by using one's own seed, without any certain loss in yield. In any case, I believe the success of the crop is even more dependent on the application of inputs of fertiliser, fungicides and cultivations than on seed variety, or even its purity.

Prospective buyers of the PBI probably have this point well in mind. But there is one aspect of plant breeding which could put power back into the hands of the breeder — hybridisation; the exploitation of hybrid vigour by crossbreeding, already well known in animals.

So far the major success of the technique has been with maize, where hybridising has scored spectacularly. The process, best described as controlled pollination on a field scale, is not yet possible with wheat and barley — nor is it likely to develop into an on-farm practice. Hybrid maize seed has to be repurchased from source every year, as using second-year seed from hybrid maize is not a practical proposition.

This means that maize-breeding companies are in a strong position and many would like the same situation to arise in wheat. But so far, in spite of great expenditure on research, the development of hybrid wheat is still not established as commercially feasible. There have, however, been some promising results both in Europe and in the US.

There is one further consideration. Many farmers respect the independence of the PBI which, since its establishment in 1912, has developed a number of cereals and other crop varieties which become household names among farmers. They feel this independence could be lost if it was commercialised and maximisation of profit became the main criterion. But until the breeders succeed in hybridising wheat I doubt if this danger is very real. There is plenty of scope for competition at present.

## LONDON MARKETS

**THE SLIDE in coffee values continued on the London futures market yesterday with the July position adding £57 to last week's £125 fall at £2,322 a tonne. Last Friday's lowering of Colombian export duties continued to depress prices, as did the early firmness of sterling. And in the afternoon a sharply lower New York opening weighed the London market down further. On the sugar futures market meanwhile values pushed on to new 2½-year highs as Friday's New York gains were consolidated and further impetus was provided by reports of rain threatening to disrupt the Cuban harvest next week.**

**LME prices supplied by Amalgamated Metal Trading.**

### ALUMINIUM

| | Unofficial close(p.m.) £ per tonne | + or − | High/low |
|---|---|---|---|
| Cash | 795-6 | −2.5 | 796.5/794 |
| 3 months | 817-8 | −1.75 | 823/815.5 |

Official closing (am): Cash 795.5-6 (791-2), three months 815-6 (812-3), settlement 796 (792). Final Kerb close: 816-7. Turnover: 5,475 tonnes.

### COPPER

| Higher grade | Unofficial close | + or − | High/low |
|---|---|---|---|
| Cash | 980-5 | −2.75 | 980.5/979 |
| 3 months | 1001.5-2 | −1.5 | 1004/993.5 |

Official closing (am): Cash 979-80 (977.5-8), three months 1,000-0.5 (999-9.5), settlement 980 (978). Final Kerb Close: 1,001.5-2.

| Cathodes | | | |
|---|---|---|---|
| Cash | 978-80 | −0.5 | — |
| 3 months | [illegible] | | |

* Standard

Official closing (am): Cash 978-80 (974-5), three months 992.4 (992-4), settlement 980 (975). Turnover 29,150 tonnes. US Producer prices 68-74 cents per lb.

Official closing (am): Cash 978-80 (974-5), three months 992-4 (992-4), settlement 980 (975). Turnover: 29,150 tonnes. US Producer prices 68-74 cents per pound.

### LEAD

Official closing (am)+ Cash 255.5-6 (253.5-4), three months 261.5-2 (261.5-2). Final Kerb close: 261.5-2. Turnover 7,200 tonnes. US Spot: 18.25-20 cents per lb.

| | Unofficial close(p.m.) £ per tonne | + or − | High/low |
|---|---|---|---|
| Cash | 256-7 | +0.5 | 256 |
| 3 months | 262.5-3 | +0.5 | 263/262 |

Official closing (am): Cash 256.5-6 (253.5-4), three months 261.5-2 (261.5-2), settlement 256 (254). Final Kerb close: 261.5-2. Turnover: 7,200 tonnes. US Spot: 18.25-20 cents per pound.

### TIN

Kuala Lumpur Tin Market: Close: 14.60 (—) ringgit per kg.

Official closing (am): Cash 441.5-2 (446-7), three months 452.5-3 (457.5-8), settlement 442 (447). Final Kerb close: 454-5. Turnover: 4,100 tonnes. US Prime Western: 32.50-35.50 cents per pound.

### NICKEL

| | Unofficial close(p.m.) £ per tonne | + or − | High/low |
|---|---|---|---|
| Cash | 2764-5 | +2.5 | |
| 3 months | 2835-40 | +2 | 2850/2785 |

### ZINC

| High grade | Unofficial close(p.m.) £ per tonne | + or − | High/low |
|---|---|---|---|
| Cash | 445-6 | −1.5 | 443 |
| 3 months | 456-6.5 | −1 | 467/452 |

Official closing (am): Cash 2,740-50 (2,755-70), three months 2,795-800 (2,820-6), settlement 2,750 (2,770). Final Kerb close: 2,835-40. Turnover 2,010 tonnes.

### GOLD

Gold rose $3¼ to $338¾-339 on the London bullion market yesterday. It opened at $339½-$339¾ and was fixed at $336.50 in the morning and $337.65 in the afternoon. The metal touched a low of $335¾-$336¼ and a high of $339½-$340¼. Trading was moderate, but demand was underpinned by expectations of higher oil prices.

| GOLD BULLION (fine ounce) | April 7 | |
|---|---|---|
| Close | $338¾-339 | (£233-233½) |
| Opening | $338½-338¾ | (£231¾-231½) |
| M'n'g fix | $336.50 | (£230.796) |
| Aft'n'n fix | $337.65 | (£232.399) |

| GOLD AND PLATINUM COINS | | |
|---|---|---|
| Kr'g'r'nd | $339-340 | (£232¼-233¼) |
| ½ Krug | $176¼-179¼ | (£121¼-123¼) |
| ¼ Krug | $90¼-91¼ | (£62¼-63) |
| 1/10 Krug | $36¼-37¼ | (£25¼-25¾) |
| Mapleleaf | $348¼-349¼ | (£239¼-240) |
| Angel | $348¼-350¼ | (£239-240¼) |
| 1/10 Angel | $35¼-40¼ | (£24¼-27¼) |
| New Sov. | $81-82 | (£55¼-56¼) |
| ½New Sov. | [illegible] | |
| Old Sov. | $87¼-89 | (£60-61) |
| $20 Eagle | $450-470 | (£295-322¼) |
| NoblePlat | $490-494¼ | (£335¼-391¼) |

### SILVER

Silver was fixed 8.65p an ounce higher for spot delivery on the London bullion market yesterday at 360.15p. US cent equivalents of the fixing levels were: spot 534.4c, up 13.85c; three-month 533.5c, up 13.95c; six-month 542.25c, up 13.45c; and 12-month 580.95c, up 13.15c. The metal opened at 358¾-359½p (521-522c) and closed at 364-365p (529-531c).

| SILVER per troy oz | Bullion Fixing Price | + or − | L.M.E. p.m. Unoffic'l | + or − |
|---|---|---|---|---|
| Spot | 360.15p | +8.65 | 361.5p | +9 |
| 3 months | 369.70p | +8.85 | 371.75p | +9.25 |
| 6 months | 378.00p | +8.85 | | |
| 12 months | 396.00p | +9.65 | | |

LME—Turnover: 11 (3) lots of 10,000 ounces.

Three months high 372p, low 365p, finals kerb 369.5-71.5p.

### RUBBER

PHYSICALS — The London market opened slightly lower, met persistent selling throughout the day and closed on an easier note, reports Lewis and Peat. Closing prices (buyers): Spot 55.50p (56.50p); May 55.50p (54.25p); June 54.00p (54.75p). The Kuala Lumpur fob price (Malaysia/Singapore cents) per kg: RSS No 1 was 189.0 (191.0) and for SMR 20 176.0 (178.5).

### COTTON

LIVERPOOL — Spot and shipment sales for the week commencing April 1 totalled only 86 tonnes against 536 tonnes in the previous week. Trading was slow, with interest only in Pakistani varieties.

### INDICES

**FINANCIAL TIMES**

| April 4 | April 3 | M'th ago | Year ago |
|---|---|---|---|
| — | — | — | 296.71 |

(Base: July 1 1952=100)

**REUTERS**

| April 4 | April 3 | M'th ago | Year ago |
|---|---|---|---|
| 1851.4 | 1829.7 | 1806.2 | 1942.5 |

(Base: September 18 1931=100)

**DOW JONES**

| Dow Jones | April 4 | April 3 | Month ago | Year ago |
|---|---|---|---|---|
| Spot | 126.89 | 128.70 | — | — |
| Fut. | 125.43 | 126.57 | — | — |

(Base: December 31 1931=100)

* Not available due to suspension of the LME.

### MAIN PRICE CHANGES

In tonnes unless otherwise stated.

| | Apr. 7 1986 | + or − | Month ago |
|---|---|---|---|
| **METALS** | | | |
| Aluminium | | | |
| Free Market | $1250/1300 | +5 | $1240/1280 |
| Copper | | | |
| Cash h Grade | £980.25 | −2.75 | £968 |
| 3 mths | £1001.75 | −1.5 | £1016 |
| Gold Troy oz | $338.75 | +3.5 | $346 |
| Lead Cash | £256.5 | +0.5 | £260 |
| 3 mths | £262.75 | +0.5 | £260.25 |
| Nickel | | | |
| Free Mkt | 181/201c | | 195/205c |
| Palladium oz | $106.75 | −0.25 | $105.00 |
| Platinum oz | $406.75 | +3 | $397.50 |
| Quicksilver | $230/240 | | $228/235 |
| Silver troy oz | 360.15p | +8.65 | 382.70p |
| 3 months | 369.70p | +8.85 | 392.70p |
| Tin cash | | | |
| 3 months | | | |
| Tungsten | $54.59 | | $52.78 |
| Wolfram 22.04lb. | $48/52 | | $50/55 |
| Zinc | £446.5 | −1.5 | £486.5 |
| 3 months | £456.25 | −1.0 | £441.5 |
| producers | $800/870 | | $800/870 |
| **OILS** | | | |
| Coconut (Phil) | $390y | −5 | $330 |
| Palm Malayan | $263.5w | | $342.5 |
| **SEEDS** | | | |
| Copra Phil | $190 | | $180 |
| Soyabean (U.S.) | $185.5y | −1 | $222 |
| **GRAINS** | | | |
| Barley Fut.Sept. | £98.40 | +0.20 | £116.20 |
| Maize | | | £144.0 |
| Wheat Fut July | £119.50 | | £118.35 |
| No. 2 Hard Wint. | | | |
| **OTHERS** | | | |
| Cocoa Ft. July | £1394 | −45.5 | £1464 |
| Coffee Ft. July | £2322 | −57 | £2569.5 |
| Cotton A Index | 69.80c | −1.15 | 61.20c |
| Gas Oil May | $144.5 | +11.25 | $146 |
| Rubber (kilo) | 55.50p | | 60.5p |
| Sugar (raw) | $212y | +6 | $165.5 |
| Wooltops 64s | 438p kilo | −5 | 418p kilo |

In tonnes unless otherwise stated.

§ Unquoted. † Per 75-lb flask. c Cents a Pound. v May. y April-May. x March-April. w June.

prices: Feed barley: Eastern 112.50, E. Midlands 113.60, Scotland 110.70. The UK monetary coefficient for the week beginning Monday April 14 will depend on the outcome of Tuesday's agri-monetary meeting in Brussels.

### SUGAR

LONDON DAILY PRICE—Raw sugar $213.00 (£146.00), up $8.00 (up £5.00) a tonne for April/May delivery. White sugar $226.00, up $6.00.

Reports that Brazil was seeking to cancel sales drove both London and New York markets to new highs for the move, reports C. Czarnikow.

Sales: 8,097 (3,824) lots of 50 tonnes.

| No. 6 Contract | Yesterday close | Previous close | Business done |
|---|---|---|---|
| | $ per tonne F.O.B. | | |
| May | [illegible] | [illegible] | [illegible] |
| Aug | [illegible] | [illegible] | [illegible] |
| Oct | [illegible] | [illegible] | [illegible] |
| Dec | [illegible] | [illegible] | [illegible] |
| Mar | [illegible] | [illegible] | [illegible] |
| May | [illegible] | [illegible] | [illegible] |
| Aug | [illegible] | [illegible] | [illegible] |

Tate and Lyle delivery price for granulated basis sugar was £223.00 (£217.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean port.) Prices for April 4: Daily price 8.53 (8.45); 15-day average 7.97 (7.87).

No. 6 c/f contract—May 227.0-7.6; Oct 224.0-6.0. Sales: 203 lots of 50 tonnes.

PARIS—(FFr per tonne): May 1795-1780, Aug 1825-1825, Oct 1825-1828, Dec 1830-1840, March 1840-1865, May 1865-1895.

### OIL

North Sea crude prices rose sharply in response to the strike in Norway which will reduce availability by around 1m barrels per day for two cargoes per day. Inquiry for replacement dated April cargoes has so far been limited. May WTI opened 70c up on Nymex and gained a further 11c by 12.30 EST. In petroleum products market gas oil firmed in active trade with prices reflecting higher levels on the Rotterdam barge market. Naphtha also strengthened on the back of gas oil but gasoline remained stable to weak. Fuel oil was also stable in North West Europe—Petroleum Argus, London.

**SPOT PRICES**

| | Latest | Change + or − |
|---|---|---|
| CRUDE OIL—FOB ($ per barrel)—April | | |
| Arab Light | — | |
| Arab Heavy | — | |
| Dubai | — | |
| Brent Blend | 11.15-11.40 | +1.75 |
| W.T.I. (1pm est) | 12.60-12.75 | +1.25 |
| Forcados (Nigeria) | 12.25-12.50 | |
| Urals (cif NWE) | — | |
| PRODUCTS—North West Europe Prompt delivery cif ($ per tonne) | | |
| Premium gasoline | 154-159 | — |
| Gas Oil | 154-156 | +13 |
| Heavy fuel oil | 54-56 | — |
| Naphtha | 117-121 | +5 |

* May Petroleum Argus estimates

§ Unquoted. † Per 75-lb flask. c Cents a Pound. v May. y April-May. w June.

### GAS OIL FUTURES

| Month | Latest close | + or − | Business Done |
|---|---|---|---|
| | $ US per tonne | | |
| April | 168.25 | +11.25 | 169.75-166.50 |
| May | 144.25 | +11.25 | 145.00-140.00 |
| June | 138.25 | +7.75 | 137.25-132.50 |
| July | 133.00 | +7.00 | 135.25-130.50 |
| Aug | 134.25 | +6.50 | [illegible] |
| Sep | 137.00 | +7.75 | [illegible] |
| Oct | 142.00 | — | [illegible] |

Turnover: 5,253 (4,958) lots of 100 tonnes.

CRUDE OIL FUTURES—Brent Blend Index (+ a barrel). (Close, change, business done): Index 11.35, +0.81; May 12.30 bid; June 12.10-12.80; Aug 11.50 bid.

Turnover: Nil (nil) lots of 1,000 barrels.

### FREIGHT FUTURES

The dry cargo market fell sharply on the opening against weaker physical advices. Short-covering on the close recouped half the day's losses. Tanker values remained unchanged to slightly lower in quiet conditions, reports Clarkson Wolff.

| | Close | High/Low | Prev. |
|---|---|---|---|
| **Dry Cargo** | | | |
| April | 780/781 | 785/772 | 795/795 |
| July | 689/690 | 692.5/681 | 695/697 |
| Oct. | 777/785 | 785/777 | 785/795 |
| Jan. | 800/810 | 817/810 | 815/825 |
| April | 865/885 | — | 885/895 |
| July | 700/800 | — | 790/790 |
| Oct. | 850/870 | — | 870/880 |
| Jan. | 900/930 | — | 920/930 |
| BFI | 725 | — | 737.5 |

Turnover: 307 (153).

| | Close | High/Low | Prev. |
|---|---|---|---|
| **Tankers** | | | |
| April | 770/815 | 792.5/780 | 810/785 |
| May | 740/750 | — | 760/790 |
| June | 748/800 | 772.5/755 | 800/785 |
| Sept. | 850/1000 | — | 950/1025 |
| Dec. | 922/1000 | — | 1000/950 |
| Mar. | 930/1000 | — | 1025/1000 |
| BTI | 643.5 | — | 651.0 |

Turnover: 51 (67).

### POTATOES

The market was very lively on the opening, reaching a high of £164.00 on May. A wide trading range reflected the uncertainty over current levels, reports Coley and Harper.

| Month | Latest close | Previous close | Business done |
|---|---|---|---|
| | £ per tonne | | |
| Apr | 117.00 | 116.50 | [illegible] |
| May | 148.50 | 140.00 | [illegible] |
| Nov | 55.50 | 54.50 | [illegible] |
| Feb | 86.50 | 63.00 | — |
| Apr | 116.00 | 110.50 | [illegible] |

Sales: 2,171 (2,324) lots of 40 tonnes.

Swine—July 101.00, +1.60, 104.00-100.00; Aug 80.00, unchanged; Sept 70.00, unchanged. Sales: 44 lots of 10 tonnes.

### MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 98.69p per kg lw (−0.71). GB—Sheep 256.63p per kg est dcw (+21.01). GB—Pigs 78.49p per kg lw (+1.72).

Pigmeat prices closed a little higher due to slightly steadier physicals, reports Eastern Capital—CCST.

| Month | PIGMEAT Yest'days close | + or − | BEEF Yest'days close | + or − |
|---|---|---|---|---|
| April | — | | | |
| May | 103.00 | +1.00 | 197.50 | — |
| June | 103.00 | — | 196.50 | +2.50 |
| July | 103.00 | — | 186.50 | +2.00 |
| Aug | 102.30 | +1.40 | 182.50 | +1.30 |
| Sep | 107.60 | +1.30 | 183.00 | +2.50 |

Pigment sales: 2 (67) lots of 50 carcases, 3,250 kg.

Beef sales: 1 (5) lots of 20 sides.

### COCOA

After opening a little easier futures lost further ground during active trading and made new life-of-contract lows on the physical side. No producer interest was seen and apart from light scale-down consumer buying, physicals failed to appeal, reports Gill and Duffus.

| COCOA | Yesterday's Close | + or − | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| May | 1366-1368 | −53.0 | 1395-1365 |
| July | 1393-1395 | −45.5 | 1418-1391 |
| Sept | 1420-1421 | −43.5 | 1445-1420 |
| Dec | 1460-1461 | −43.5 | 1485-1460 |
| March | 1493-1495 | −38.0 | 1515-1490 |
| May | 1515-1520 | −31.0 | 1530-1520 |
| July | 1530-1539 | −32.0 | 1545-1538 |

Sales: 5,220 (4,657) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for April 4: 90.39 (89.83); five-day average for April 7: 90.50 (90.66).

### COFFEE

London opened higher than expected on light commission house buying. A lack of follow-through and very little physical offtake gradually eroded levels, especially with a weak performance from New York, reports Drexel Burnham Lambert.

| COFFEE | Yesterday's Close | + or − | Business Done |
|---|---|---|---|
| May | 2271-2275 | −65.5 | 2310-2268 |
| July | 2320-2324 | −57.5 | 2365-2310 |
| Sept | 2372-2375 | −57.5 | [illegible] |
| Nov | 2415-2420 | −75.5 | [illegible] |
| Jan | 2450-2460 | −73.0 | [illegible] |
| March | 2450-2465 | −72.5 | [illegible] |
| May | 2460-2500 | −75.0 | [illegible] |

Sales: 5,674 (3,434) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for April 4: Comp. daily 1979 188.35 (190.52); 15-day average 196.15 (200.42).

### SOYABEAN MEAL

| | Latest close | + or − | Business Done |
|---|---|---|---|
| | £ per tonne | | |
| Apr | 131.5-1.8 | −1.75 | 134.0-133.5 |
| June | 129.5-29.7 | +0.15 | [illegible] |
| August | 129.0-28.6 | −0.05 | — |
| October | 128.0-28.8 | −0.45 | — |
| Dec | 128.5-29.0 | −0.55 | — |
| Feb | 129.5-31.0 | −0.55 | — |
| Apr | 128.5-131.5 | −0.75 | — |

Sales: 224 (218) lots of 20 tonnes.

### GRAINS

Old crop steadied in light trading, reflecting lack of offers, but found sellers towards the close. New crops were quietly steady on nervous short-covering against speculative over EAS realignment uncertainty, reports T. G. Roddick.

| Mnth | WHEAT Yesterday's close | + or − | BARLEY Yesterday's close | + or − |
|---|---|---|---|---|
| May | 117.80 | +0.35 | 114.85 | — |
| July | 119.50 | — | — | — |
| Sept | 100.15 | +0.10 | 98.40 | +0.20 |
| Nov | 103.10 | +0.10 | 101.70 | +0.20 |
| Jan | 105.75 | +0.10 | 104.95 | +0.20 |
| Mar | 108.00 | +0.20 | 107.15 | +0.20 |

Business done—Wheat: May 118.15-7.80, July 119.75-9.50, Sept untraded, Nov 103.10-3.05, Jan 105.80 only, Mar 108.05-8.00. Sales: 48 lots of 100 tonnes. Barley: May 115.00-4.85, Sept 98.30-8.25, Nov 101.70-1.65, Jan 104.95-4.70, Mar 107.60-7.70. Sales: 42 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Dark Northern Spring No. 1 15 per cent: May 120.25, June 126.50 transhipment East Coast. US No. 2 Soft Red Winter: June 98.25, July 94.00. English Feed, fob: May 120.50-121.00 buyer/seller, June 122.50 seller, Sept 101.00, Oct 104.25 buyer, Oct/Dec 106.25-107.50 buyer/seller, Jan/March 112.50 seller. Barley: English Feed, fob: April 117.00, May 119.75 buyer, June 119.50 seller. HGCA — Locational ex-farm spot

# CURRENCIES MONEY and CAPITAL MARKETS

## FOREIGN EXCHANGES

# Dollar and pound strong

The dollar was stronger on the foreign exchanges yesterday, as oil prices rose; positions taken out ahead of the European Monetary System realignment were unwound; and the market awaited a reflationary package of measures from Japan. There was also some doubt about German export performance after the revaluation of the D-mark in the EMS, but nervousness ahead of an informal meeting of Group of Five ministers, scheduled for today, limited the dollar's rise. The US currency advanced to DM 2.3935 from DM 2.3890; FFr 7.6175 from FFr 7.5725, SFr 2.0120 from SFr 1.9940; and Y182.70 from Y180.15. On Bank of England figures the dollar's index rose to 121.8 from 121.5.

STERLING — Trading range against the dollar in 1986 is 1.5115 to 1.3770. March average 1.4681. Exchange rate index rose 0.3 to 76.7, compared with 80.2 six months ago.

A sharp rise in North Sea oil prices, resulting from the shut down of Norwegian production, because of a strike by catering staff, supplying food to oil platform workers, supported sterling. The pound gained 95 points to $1.4570-1.4580, and also gained ground against other major currencies, partly as a consequence of Sunday's realignment of the EMS. It rose to DM 3.4785 from DM 3.46; FFr 11.1025 from FFr 10.9850; SFr 2.9325 from SFr 2.8875; and Y266.25 from Y260.75.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1990. March average 2.2677. Exchange rate index 132.0 against 127.9 six months ago.

The D-mark weakened against the dollar in Frankfurt yesterday, while the French franc rose to its new EMS ceiling of DM 31.41 per 100 francs at the fixing. Dealers estimated the Bundesbank sold about FFr 120m at the fixing, but probably did not intervene on the open market, in contrast to the Bank of France, which was quite active buying D-marks. The Bundesbank did not intervene when the dollar rose to DM 2.3997 from DM 2.3803 at the fixing, and closed in Frankfurt at DM 2.4005 compared with DM 2.3920 on Friday. The Belgian franc eased back slightly after news of a cut in the Belgian bank rate, and was fixed at DM 4.9070 per 100 francs, slightly below its ceiling of DM 5.0070. Other currencies effectively devalued against the D-mark by the weekend EMS realignment, hovered near their ceilings.

FRENCH FRANC—Trading range against the dollar in 1986 is 7.6175 to 6.8350. March average 7.1157. Exchange rate index 67.5 against 68.6 six months ago.

The Bank of France intervened to support the D-mark at its new floor within the European Monetary System of FFr 3.1837. The D-mark was fixed in Paris at this level, and dealers reported the French central bank was active for most of the day buying D-marks against the franc. This was a reflection of speculation against the franc, before the weekend devaluation of 5.8 per cent against the D-mark. Dealers took profits yesterday, buying back francs at the new lower rate. In early Paris trading sterling was up nearly 5 per cent against the franc at FFr 11.1825, before being fixed at FFr 11.1260, compared with FFr 10.73 on Thursday, the last fixing before the EMS realignment. The dollar was fixed nearly 5 per cent higher against the franc in Paris, at FFr 7.6545, compared with FFr 7.3240 on Thursday. It was the highest fixing for the dollar since late December last year. In early trading the US currency touched FFr 7.60.

### £ IN NEW YORK

| Close | April 7 | Prev. close |
|---|---|---|
| £ Spot | $1.4565-1.4585 | $1.4580-4555 |
| 1 month | 0.50-0.47pm | 0.50-0.49pm |
| 3 months | 1.35-1.30pm | 1.38-1.36pm |
| 12 months | 3.70-3.60pm | 3.73-3.62pm |

Forward premiums and discounts apply to the US dollar

### POUND SPOT—FORWARD AGAINST POUND

| April 7 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4495-1.4590 | 1.4570-1.4580 | 0.50-0.47c pm | 3.99 | 1.35-1.30pm | 3.64 |
| Canada | 2.0082-2.0210 | 2.0120-2.0150 | 0.18-0.07c pm | 0.74 | 0.51-0.36pm | 0.86 |
| Nethlnd. | 3.91¼-3.95½ | 3.92¼-3.93¼ | 2-1⅞c pm | 5.91 | 5⅞-5⅝pm | 5.60 |
| Belgium | 70.98-71.69 | 71.05-71.15 | 20-12c pm | 2.69 | 52-34 pm | 2.41 |
| Denmark | 12.84-12.95¼ | 12.86-12.87 | 5-3⅞ore pm | 4.14 | 12⅞-11⅛pm | 3.68 |
| Ireland | 1.1415-1.1560 | 1.1440-1.1450 | 0.15-0.30p dis | −2.36 | 0.20-0.50dis | −1.22 |
| W. Ger. | 3.47¼-3.51 | 3.48¼-3.49¼ | 2-1⅞pf pm | 6.68 | 5⅞-5⅝pm | 6.37 |
| Portugal | 216½-231½ | 219½-229½ | 150-410c dis | −14.82 | 400-1190d | −14.02 |
| Spain | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Austria | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switz. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Belgian rate is for convertible francs. Financial franc 71.95-72.05. Six-month forward dollar 2.22-2.17c pm. 12-month 3.75-3.60c pm.

### DOLLAR SPOT—FORWARD AGAINST DOLLAR

| April 7 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4495-1.4590 | 1.4570-1.4580 | 0.50-0.47c pm | 3.99 | 1.35-1.30pm | 3.64 |
| Ireland† | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Canada | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Nethlnd. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Belgium | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Denmark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| W. Ger. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Portugal | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Spain | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Italy | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Norway | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| France | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Sweden | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Japan | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Austria | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Switz. | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible]

### EXCHANGE CROSS RATES

| Apr. 7 | £ | $ | DM | YEN | F Fr. | S Fr. | H Fl. | Lira | C $ | B Fr. |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

### EURO-CURRENCY INTEREST RATES

| April 7 | Short term | 7 Days notice | 1 Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Long-term Eurodollars: two years 7⅜-7⅝ per cent; three years 7⅝-7⅞ per cent; four years 7¾-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US dollars and Japanese yen; others two days' notice.

### CURRENCY MOVEMENTS

| April 7 | Bank of England Index | Morgan* Guaranty Change % |
|---|---|---|
| Sterling | 75.7 | −14.4 |
| U.S. dollar | 121.8 | +11.2 |
| Canadian dollar | 80.5 | −21.6 |
| Austrian schilling | 122.8 | −6.7 |
| Belgian franc | 93.9 | −9.6 |
| Danish Kroner | 83.6 | −3.0 |
| [illegible] | [illegible] | [illegible] |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).
* Morgan Guaranty rates are for April 4

### CURRENCY RATES

| April 7 | Bank rate % | Special Drawing Rights | European Currency Unit |
|---|---|---|---|
| Sterling | [illegible] | [illegible] | [illegible] |

* CS/SDR rate for April 4

### OTHER CURRENCIES

| April 7 | £ | $ |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

* Selling rate.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu central rates | Currency amounts against Ecu April 7 | % change from central rate | % change adjusted for divergence | Divergence limit % |
|---|---|---|---|---|---|
| Belgian franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Danish krone | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| German D-mark | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| French franc | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Dutch guilder | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |
| Irish punt | [illegible] | 0.712956 | 0.709079 | −0.43 | −0.43 | — |
| Italian lira | [illegible] | 1496.21 | 1480.28 | −1.06 | −1.06 | — |

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

## FINANCIAL FUTURES

# Sterling prices up

Sterling denominated interest rate contracts were firm on the London International Financial Futures Exchange yesterday. Long term gilt futures for June delivery opened higher at 126-02, reflecting speculation about possible sterling membership of the European Monetary System. Talk of the UK joining the EMS followed Sunday's realignment of the system, and hopes of a period of relative currency stability. Sterling's membership was expected to allow a significant cut in British interest rates, if it happened, and a probable sharp rise in gilt prices.

The strength of the pound on the foreign exchanges also boosted sterling interest rate contracts, as oil prices rose by up to $2 a barrel for early delivery North Sea crude on the European spot market.

June long gilt futures touched a peak of 126-15 and closed at 126-16, compared with 125-24 previously.

Three-month sterling deposits for June delivery opened at 90.35 and finished just below the day's high at 90.44, compared with 90.22 on Friday.

Dollar denominated contracts showed mixed changes. June Treasury bonds fell through 100-00, and broke technical resistance levels. Rising oil prices pushed June bonds down to a low of 99-05, before a partial recovery to close at 99-24, compared with 101-05. On the other hand a low Federal funds rate boosted June Eurodollars to finish at the day's peak of 93.15, compared with 93.03.

### LIFFE LONG GILT FUTURES OPTIONS

| Strike price | Calls—Last June | Sept | Dec | Mar | Puts—Last June | Sept | Dec | Mar |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LIFFE US TREASURY BOND FUTURES OPTIONS

| Strike price | Calls—Last June | Sept | Dec | Mar | Puts—Last June | Sept | Dec | Mar |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LIFFE £/$ OPTIONS
£25,000 (cents per £1)

| Strike price | Calls—Last April | May | June | Sept | Puts—Last April | May | June | Sept |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike price | Calls—Last April | May | June | Sept | Puts—Last April | May | June | Sept |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

| Strike price | Calls—Last April | May | June | Sept | Puts—Last April | May | June | Sept |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

| Strike price | Calls—Last June | Sept | Dec | Mar | Puts—Last June | Sept | Dec | Mar |
|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### CHICAGO

#### US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### US TREASURY BILLS (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### CERT. DEPOSIT (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### LONDON

#### THREE-MONTH EURODOLLAR $1m points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### 20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### THREE-MONTH STERLING £500,000 points of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### US TREASURY BONDS 8% $100,000 32nds of 100%

| | Close | High | Low | Prev |
|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

#### FT-SE 100 INDEX
£25 per full index point

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 170.25 | 171.80 | 170.20 | 172.80 |
| Sept | 172.50 | — | — | 175.05 |
| Dec | 175.00 | — | — | 177.55 |

Estimated volume 400 (408)
Previous day's open int 1,616 (1,617)

### CURRENCY FUTURES

#### POUND—$ (FOREIGN EXCHANGE)

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4575 | [illegible] | [illegible] | [illegible] | 1.4208 |

#### IMM—STERLING $e per £

| | Latest | High | Low | Prev |
|---|---|---|---|---|
| June | [illegible] | [illegible] | [illegible] | 1.4390 |
| Sept | 1.4325 | 1.4335 | 1.4300 | 1.4300 |
| Dec | 1.4240 | 1.4240 | 1.4220 | 1.4200 |

#### LIFFE—STERLING £25,000 $ per £

| | Close | High | Low | Prev |
|---|---|---|---|---|
| June | 1.4418 | 1.4467 | 1.4430 | 1.4385 |
| Sept | 1.4317 | 1.4337 | 1.4337 | 1.4275 |
| Dec | 1.4235 | — | — | 1.4187 |

Est. Volume 466 (125)
Previous day's open int. 2,583 (2,486)

## MONEY MARKETS

# Firm pound boosts base rate hopes

**UK clearing banks base lending rate 11½ per cent since March 19**

Interest rates fell on the London money market yesterday, as sterling gained ground on the foreign exchanges, and speculation increased about possible British membership of the European Monetary System. Hopes of lower bank base rates made discount houses reluctant to sell longer dated paper at present official intervention rates, and most of the Bank of England's help to the money market was through outright purchases of very short dated band 1 bills. Three-month interbank fell to 10⅞-11 per cent from 11⅛-11¼ per cent.

The Bank of England forecast a money market shortage of £800m initially, but changed this to £750m at noon, and to £700m in the afternoon. Total assistance of £732m was provided.

Before lunch the authorities bought £292m bills outright, by way of £243m bank bills in band 1 at 11⅜ per cent, and £49m bank bills in band 2 at 11⁵⁄₁₆ per cent.

In the afternoon another £380m bills were purchased outright, through £7m local authority bills in band 1 at 11⅜ per cent; £300m bank bills in band 1 at 11⅜ per cent; £70m bank bills in band 2 at 11⁵⁄₁₆ per cent; and £3m bank bills in band 3 at 11¼ per cent.

Late assistance of around £60m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,210m. This outweighed Exchequer transactions adding £75m to liquidity, a fall in the note circulation of £305m, and bank balances above target by £20m.

In Brussels the Belgian National Bank cut its bank rate by ½ per cent to 9½ per cent, and its Lombard rate by ½ per cent to 9¾ per cent. Interest rates on one-, two- and three-month Treasury bills were reduced by ¼ per cent to 9 per cent.

In Frankfurt call money was steady at 4.45 per cent. A tender for a new 35-day securities repurchase agreement with the Bundesbank takes place today, at a minimum rate of 4.30 per cent.

### STERLING INDEX

| | April 7 | Previous |
|---|---|---|
| 8.30 am | 76.8 | 76.2 |
| 9.00 am | 76.8 | 76.3 |
| 10.00 am | 76.8 | 76.3 |
| 11.00 am | 76.9 | 76.2 |
| Noon | 76.7 | 76.4 |
| 1.00 pm | 76.8 | 76.4 |
| 2.00 pm | 76.7 | 76.4 |
| 3.00 pm | 76.8 | 76.6 |
| 4.00 pm | 76.7 | 76.4 |

### NEW YORK RATES
(Lunchtime)

| | |
|---|---|
| Prime rate | 9 |
| Broker loan rate | 8¾ |
| Fed funds | 7 |
| Fed funds at intervention | — |

**Treasury Bills & Bonds**

| | |
|---|---|
| One month | 6.23 |
| Two month | 6.32 |
| Three month | 6.38 |
| Six month | 6.46 |
| One year | 6.53 |
| Two year | 6.80 |
| Three year | 6.96 |
| Four year | 7.07 |
| Five year | 7.20 |
| Seven year | 7.28 |
| 10 year | 7.41 |
| 30 year | 7.54 |

### MONEY RATES

| April 7 | Ov'r-nig't | One Month | Two Months | Three Months | Six Months | Lombard Int'v'tn |
|---|---|---|---|---|---|---|
| Frankfurt | 4.4-4.5 | 4.35-4.55 | 4.40-4.55 | 4.40-4.55 | 4.40-4.55 | 5.5 |
| Paris | 8⅝ | 8⅝-8½ | — | 8⅛-8⅞ | — | 8¼ |
| Zurich | ⅞-1⅛ | 4-4⅛ | — | 4-4⅛ | — | — |
| Amsterdam | 5⅛-5⅛ | 5⅛-5⅛ | — | 5⅛-5⅛ | — | — |
| Tokyo | 4.96875 | 5.15625 | — | 5.21875 | — | — |
| Milan | 15⅛-16½ | 14-14⅛ | — | 14⅛-14⅛ | — | — |
| Brussels | 10.25 | 9 9⅛ | — | 9 9⅛ | — | — |
| Dublin | 14-14¼ | 13½-13⅝ | 12⅝-12⅞ | 12⅛-12⅛ | 10-10⅛ | — |

### FT LONDON INTERBANK FIXING

(11.00 a.m. April 7)

| Three months US dollars | | Six months US dollars | |
|---|---|---|---|
| bid 7 1/8 | offer 7 1/4 | bid 7 1/16 | offer 7 3/16 |

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

### LONDON MONEY RATES

| April 7 | Over night | 7 days notice | Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank | 7-13 | 11½-11⅞ | 11⅛-11⅝ | 10⅞-11⅛ | 10¼-10⅛ | 10-10⅞ |
| Sterling CDs | — | — | 11⅜-11½ | 10¾-10⅞ | 10⅛-10¼ | 9⅞-9⅛ |
| Local Authority Depos | 11½-11⅝ | 11½ | 11⅜ | 10⅞ | 10⅛ | 10⅛ |
| Local Author'y Bonds | — | — | 11⅝ | 11¼ | 10½ | 10⅝ |
| Discount Mkt Depos. | 7-11¾ | 11¼-11½ | 11⅜ | 10⅝ | — | — |
| Company Depos | 11-13 | 11⅞ | 11⅝ | 11⅛ | — | — |
| Finance House Depos | — | — | 11⅛ | 11 | 10⅝ | 10⅛ |
| Treasury Bills (Buy) | — | — | 11⅛ | 10⅛ | — | — |
| Bank Bills (Buy) | — | — | 11¼ | 10⅛ | 9⅞ | — |
| Fine Trade Bills (Buy) | — | — | 11⅞ | 11⅛ | 10⅛ | — |
| Dollar CDs | — | — | 7.20-7.25 | 6.95-7.00 | 6.95-7.00 | 6.95-7.00 |
| SDR Linked Depos | — | — | 7-7⅛ | 6¾-7 | 6⅝-6⅞ | 6⅛-6⅞ |
| ECU Depos | — | — | 8⅛-8¼ | 7⅛-7⅛ | 7½-7⅝ | 7⅝-7½ |

Treasury Bills (sell): one-month 11¼ per cent; three-months 10⅝ per cent. Bank Bills (sell): one-month 11⅜ per cent; three-months 10⅝ per cent. Treasury Bills: Average tender rate at discount 10.7009 per cent. ECGD Fixed Finance Scheme IV reference date March 5 to April 1 (inclusive) 11.577 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ per cent from April 1 1986. Bank Deposit Rate for sums at seven days' notice 6½-6 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11¾ per cent; one-three months 11¾ per cent; three-six months 10¾ per cent; six-nine months 10¾ per cent; nine-12 months 10 per cent. Under £100,000 10 per cent from April 8. Deposits held under Series 5 10 per cent. Deposits withdrawn for cash 6½ per cent.



## Company Notices



## Conferences



## Art Galleries



## Clubs





# £ WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on April 7, 1986. In some cases rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on US dollar parities and going sterling-dollar rates; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate (exC) exchange certificate rate; (nc) non commercial rate; (nom) nominal; (o) official rate; (sg) selling rate; (c) controlled rate; (u) unified rate.

| COUNTRY | CURRENCY | VALUE OF £ STERLING | COUNTRY | CURRENCY | VALUE OF £ STERLING | COUNTRY | CURRENCY | VALUE OF £ STERLING |
|---|---|---|---|---|---|---|---|---|
| Afghanistan | Afghani | [illegible] | Greenland | Danish Kroner | [illegible] | Peru | Inti | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

‡ Rate is the transfer market (controlled). ‡‡ Now one official rate. [illegible]

# LONDON SHARE SERVICE

## BRITISH FUNDS

### "Shorts" (Lives up to Five Years)

| 1986 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 99 | 95⅝ | Treas 3pc 1986 | 99 | | 3.05 | 11.45 |
| 99 | 99 | Exch 10½pc 1986 | 99 | | 10.51 | 11.42 |
| 100 | 99½ | Treas 12pc 1986 | 100 | | 12.00 | 11.42 |
| 99⅝ | 98⅜ | Treas 8¼pc 1984-86‡‡ | 99⅝ | +⅛ | 8.55 | 10.94 |
| 102⅝ | 100½ | Exch 14pc 1986 | 102 xd | + | 13.73 | 10.15 |
| 96⅝ | 94⅞ | Exch 2½pc 1986 | 96⅝ | + | 2.59 | 8.15 |
| 102½ | 100⅛ | Exch 13¼pc 1987 | 102 | +⅛ | 12.93 | 9.89 |
| 100⅛ | 97 | Treas 10¼pcCv '87 | 100⅛ | + | 10.21 | 9.72 |
| 95⅛ | 92 | Exch 2½pc 1987 | 95⅛ | + | 2.62 | 8.01 |
| 100¼ | 97½ | Exch 10½pc 1987 | 100¼ xd | +⅛ | 10.42 | 9.68 |
| 97⅛ | 93⅝ | Funding 6½pc '85-87‡‡ | 97⅛ xd | +⅛ | 6.68 | 9.18 |
| 100 | 96 | Treas 10pc 1987 | 100 | +¼ | 9.97 | 9.68 |
| 93⅝ | 90⅞ | Treas 3pc 1987 | 93⅝ | + | 3.20 | 8.40 |
| 103 | 99⅛ | Treas 12pc 1987 | 103 xd | +¼ | 11.62 | 9.67 |
| 97 | 92 | Treas 7¾pc 1985-88‡‡ | 97 | + | 7.95 | 9.30 |
| 101 | 96¼ | Exch 10½pc '88 | 101 xd | +¼ | 10.30 | 9.48 |
| 100⅝ | 95⅛ | Treas 9¾pc Cv '88 | 100⅝ | + | 9.69 | 9.41 |
| 90 | 86⅝ | Transport 3pc '78-88 | 90 | + | 3.33 | 7.87 |
| 99⅞ | 93 | Treas 9½pc '88 | 99⅞ xd | + | 9.51 | 9.56 |
| 104⅞ | 98 | Treas 11½pc 1989 | 104 | +¼ | 10.99 | 9.58 |
| 101 | 93⅛ | Treas 9½pc Cnv '89 | 100 xd | +⅛ | 9.46 | 9.34 |
| 87½ | 82 | Treas 3pc 1989 | 87½ | + | 3.43 | 7.59 |
| 102⅝ | 95 | Treas 10½pc 1989 | 102 | +⅛ | 10.24 | 9.54 |
| 101 | 94⅛ | Exch 10pc 1989 | 101 | + | 9.86 | 9.48 |
| 104½ | 97 | Exch 11pc 1989 | 104½ | +⅛ | 10.53 | 9.34 |
| 89⅞ | 84½ | Treas 5pc 1986-89 | 89⅞ xd | +¼ | 5.56 | 8.38 |
| 108⅝ | 98⅝ | Exch 10¼pcCv '89 | 107⅞ | +⅛ | 9.50 | 7.68 |
| 111 | 103 | Treas 13pc 1990‡‡ | 111 | +⅛ | 11.67 | 9.32 |
| 105 | 97⅞ | Exch 11pc 1990‡‡ | 105⅛ | +¼ | 10.44 | 9.29 |
| 110½ | 101 | Exch. 12½pc 1990 | 110 | +⅛ | 11.33 | 9.32 |
| 83 | 79⅝ | Treas. 3pc 1990 | 83 xd | + | 3.57 | 7.06 |
| 97 | 89⅝ | Treas 8¼pc 1987-90‡‡ | 97 | +¼ | 8.47 | 8.99 |
| 103 | 93 | Treas. 10pcCv 1990 | 103 xd | + | 9.71 | 9.19 |
| 80⅛ | 76¼ | Exch 2½pc 1990 | 80⅛ | + | 3.11 | 7.63 |
| 109⅞ | 99 | Treas 11¾pc 1991 | 109¾ | + | 10.71 | 9.19 |
| 93 | 83 | Funding 5¾pc '87-91‡‡ | 92 xd | + | 6.24 | 7.66 |

### Five to Fifteen Years

| 1986 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 108¼ | 96 | Exch. 11pc 1991 | 107⅝ xd | +¼ | 10.22 | 9.22 |
| 117 | 103⅝ | Treas 12¾pc 1992‡‡ | 115⅛ | +⅛ | 11.02 | 9.17 |
| 105⅞ | 92 | Treas 10pc 1992 | 104¾ | +¼ | 9.54 | 8.93 |
| 108 | 94 | Treas 10½pc Cv 1992‡‡ | 106⅞ xd | +¼ | 9.82 | 9.02 |
| 115⅛ | 101 | Exch 12¼pc '92 | 114¼ | +⅛ | 10.72 | 9.21 |
| 121¼ | 106⅞ | Exch 13½pc 1992 | 120⅛ | +⅛ | 11.24 | 9.27 |
| 51¼ | 39⅞ | Treas 10pc 1993 (£40pd) | 50¼ | +½ | 9.59 | 9.03 |
| 118½ | 103½ | Treas 12½pc 1993‡‡ | 117⅜ | +⅛ | 10.65 | 9.17 |
| 90¼ | 78½ | Funding 6pc 1993‡‡ | 89¼ | +⅛ | 6.72 | 7.66 |
| 125⅛ | 109 | Treas 13¾pc 1993‡‡ | 124 | +⅛ | 11.09 | 9.28 |
| 130⅛ | 114 | Treas 14½pc 1994‡‡ | 129⅜ | +⅛ | 11.21 | 9.17 |
| 124⅛ | 108½ | Exch 13½pc 1994 | 123⅛ xd | +¼ | 10.94 | 9.31 |
| 119⅝ | 103 | Exch. 12½pc 1994 | 118½ | +⅛ | 10.55 | 9.28 |
| 101½ | 86⅞ | Treas 9pc 1994‡‡ | 100⅝ | +⅛ | 8.94 | 8.89 |
| 117½ | 101½ | Treas 12pc 1995 | 116¼ | +⅛ | 10.32 | 9.25 |
| 77½ | 68⅛ | Gas 3pc '90-95 | 77 xd | .. | 3.90 | 6.43 |
| 108 | 92¼ | Exch. 10¼pc 1995 | 107⅛ | +⅛ | 9.57 | 9.10 |
| 123⅛ | 106¼ | Treas 12¾pc 1995‡‡ | 122¼ | +⅛ | 10.43 | 9.20 |
| 131 | 113 | Treas. 14pc '96 | 129⅞ | +⅛ | 10.78 | 9.28 |
| 101⅝ | 86 | Treas 9pc 1992-96‡‡ | 100⅞ | +⅛ | 8.92 | 8.82 |
| 139¼ | 120 | Treas 15¼pc 1996‡‡ | 138½ xd | +⅛ | 11.03 | 9.26 |
| 127⅞ | 110 | Exch 13¼pc 1996‡‡ | 126¼ | +⅛ | 10.45 | 9.14 |
| 83¼ | 74⅛ | Redemption 3pc 1986-96 | 83 | | 3.61 | 5.10 |
| 128½ | 110 | Treas 13¼pc 1997‡‡ | 127⅜ | +⅛ | 10.40 | 9.19 |
| 110½ | 94¼ | Exch 10½pc 1997 | 109⅝ | +⅛ | 9.63 | 9.15 |
| 99¼ | 84 | Treas 8¾pc 1997‡‡ | 98¼ | +¼ | 8.86 | 8.92 |
| 140½ | 120⅛ | Exch 15pc 1997 | 139⅛ xd | +⅛ | 10.78 | 9.39 |
| 105⅞ | 89 | Exch. 9¾pc 1998 | 104⅛ | +⅛ | 9.31 | 9.07 |
| 86¼ | 72⅛ | Treas 6¾pc 1995-98‡‡ | 85⅞ xd | +⅛ | 7.86 | 8.67 |
| 145⅞ | 125 | Treas. 15½pc '98‡‡ | 144⅝ | +½ | 10.73 | 9.36 |
| 121⅛ | 103 | Exch. 12pc 1998 | 120¼ | +⅛ | 9.98 | 9.24 |
| 105⅛ | 89 | Treas 9½pc 1999‡‡ | 104⅛ | +⅛ | 9.12 | 9.06 |
| 123⅞ | 105 | Exch. 12¼pc 1999 | 122⅝ | +¼ | 9.99 | 9.23 |
| 111⅞ | 94 | Treas. 10½pc 1999 | 110⅛ | +⅛ | 9.48 | 9.08 |
| 109⅞ | 93 | Conversion 10¼pc 1999 | 108⅞ | +¼ | 9.41 | 9.11 |
| 30⅞ | 25 | Cnv 9pc 2000 'A' (£25pd) | 29¾ | +⅛ | 8.99 | 8.94 |
| 130⅞ | 111 | Treas. 13pc 2000 | 129½ | +¼ | 10.04 | 9.24 |
| 109½ | 92 | Treas 10pc 2001 | 108⅛ | +⅛ | 9.25 | 8.99 |

### Over Fifteen Years

| 1986 High | Low | Stock | Price £ | + or – | Yield Int. | Red. |
|---|---|---|---|---|---|---|
| 134¼ | 115 | Treas 14pc '98-01 | 133½ | +½ | 10.49 | 9.33 |
| 107⅞ | 90⅝ | Conversion 9¾pc 2001 | 106⅝ | +⅛ | 9.17 | 8.98 |
| 122½ | 104 | Exch 12pc '99-02 | 121⅛ | +⅛ | 9.91 | 9.15 |
| 109⅝ | 92 | Conversion 10pc 2002 | 108⅛ xd | +⅛ | 9.22 | 8.99 |
| 107¼ | 90 | Treas 9¾pc 2002 | 106½ | +¼ | 9.15 | 8.95 |
| 136¼ | 116 | Treas 13¾pc 2000-03 | 135¼ | +¼ | 10.17 | 9.25 |
| 51⅞ | 34⅞ | Treas 10pc '03 (£35pd) | 50¼ | +½ | 9.22 | 9.00 |
| 121¼ | 102 | Treas. 11½pc 2001-04 | 119⅞ | +⅞ | 9.59 | 9.05 |
| 110⅝ | 92 | Treas 10pc 2004 | 109¼ | +1 | 9.15 | 8.95 |
| 59⅝ | 49⅛ | Funding 3½pc '99-04 | 59⅛ | +¼ | 5.92 | 7.78 |
| 106⅛ | 88 | Conversion 9½pc 2004 | 105⅛ xd | +¼ | 9.04 | 8.94 |
| 106⅞ | 89 | Conversion 9½pc 2005 | 105 xd | +¼ | 9.02 | 8.91 |
| 30⅞ | 20 | Cnv. 9½pc '05 A (£20pd) | 29¼ | +⅛ | 9.01 | 8.88 |
| 115½ | 97 | Exch 10½pc 2005 | 114¼ | +⅞ | 9.19 | 8.94 |
| 131¼ | 111 | Treas 12½pc 2003-05 | 130¼ | +⅛ | 9.60 | 9.03 |
| 94⅛ | 78⅛ | Treas. 8pc 2002-06‡‡ | 92⅞ xd | +⅛ | 8.61 | 8.75 |
| 125⅛ | 105¾ | Treas. 11¾pc 2003-07 | 123¼ | +⅛ | 9.51 | 9.02 |
| 141⅛ | 118 | Treas. 13½pc '04-08 | 139 | +¼ | 9.68 | 9.02 |
| 71⅛ | 57⅝ | Treas 5½pc 2008-12‡‡ | 69⅞ | +⅛ | 7.87 | 8.33 |
| 92⅝ | 76 | Treas 7¾pc 2012-15‡‡ | 91⅛ | +⅛ | 8.50 | 8.58 |
| 134 | 112⅝ | Exch. 12pc '13-'17 | 132½ | +⅛ | 9.06 | 8.83 |

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## MINES—Continued

| 1986 High | Low | Stock | Price | + or − | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| **O.F.S.** | | | | | | | |
| 230 | 163 | Beatrix Mines | 168 | | 15c | 1.2 | 2.9 |
| 905 | 719 | F.S. Cons. Gold 50c | 762 | −13 | — | — | — |
| 240 | 120 | Free State Dev 10c | 185 | | Q15c | 1.1 | 2.6 |
| 962 | 614 | Harmony 50c | 765xc | −7 | Q265c | ♦ | 11.2 |
| 410 | 256 | Loraine R1 | 273 | −2 | Q75c | 3.1 | 5.9 |
| 987 | 755 | St. Helena R1 | 775 | | Q450c | 1.9 | 18.8 |
| 569 | 354 | Unisel | 477 | −11 | †Q150c | 1.1 | 10.2 |
| 523 | 372 | Welkom Gold Hldgs 50c | 480 | | Q234c | 1.0 | 15.8 |
| **Diamond and Platinum** | | | | | | | |
| £54 | £32 | Anglo Am. Inv 50c | £54 | | Q810c | ♦ | 5.0 |
| 525 | 312 | De Beers Df 5c | 505xd | | Q55c | ♦ | 3.5 |
| 490 | 315 | Do 40pc Pf R5 | 380 | −20 | Q200c | ‡ | 17.1 |
| 710 | 550 | Impala Plat. 20c | 675 | | Q135c | 1.9 | 5.5 |
| 610 | 410 | Lydenburg 12½c | 610 | | Q72c | 1.0 | 3.9 |
| 790 | 500 | Rus. Plat. 10c | 750 | | †Q90c | 1.4 | 3.9 |
| **Central African** | | | | | | | |
| 205 | 155 | Falcon Z50c | 205 | | †Q100c | 2.5 | 21.8 |
| 12 | 10 | Wankie Col Z$1 | 12 | | v05d | 3.6 | 18.6 |
| 16 | 12 | Zam.Cpr SBD0.24 | 14 | | — | — | — |
| **Finance** | | | | | | | |
| 91 | 75 | Afex Corp SA $1.50 | 80 | | 07.5c | 4.4 | 6.4 |
| £13 | 900 | Ang. Am. Coal 50c | 950 | | †Q295c | 3.1 | 7.0 |
| £10¼ | 735 | Anglo Amer. 10c | 925 | | Q135c | 2.0 | 4.7 |
| £57½ | £38¾ | Ang. Am. Gold R1 | £48¼xd | −¼ | Q1450c | 1.1 | 9.6 |
| £40 | £24 | Anglovaal 50c | £33 | | †Q360c | 2.9 | 5.1 |
| 22 | 11 | Clogau Gold 10p | 16½ | | — | — | — |
| 125 | 90 | Cons. Afex Corp | 90 | | N05½c | — | 2.0 |
| 537 | 435 | Cons. Gold Fields | 480xd | −15 | 24.5 | 1.4 | 7.2 |
| 66 | 34 | East Rand Con 5p | 41 | −1 | 1.3 | 1.0 | 3.4 |
| 829 | 610 | Gencor R1 | 700 | | †Q170c | 1.1 | 7.9 |
| £10 | 590 | Gencor 40c | 825xd | | Q195c | ♦ | 8.0 |
| 31 | 18 | Gold & Base 12½p | 23 | | — | — | — |
| 975 | 709 | Gold Fields S.A. 5c | 825 | | †Q120c | 2.0 | 4.7 |
| £79 | £49 | Jo'burg Cons. R2 | £73 | | Q875c | 2.2 | 3.9 |
| 900 | 530 | Middle Wit 25c | 825 | | †Q105c | 1.5 | 4.1 |

### Australians

### Tins

| 1986 High | Low | Stock | Price | + or − | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 195 | 135 | Ayer Hitam $M1 | 140 | +5 | vQ155c | 1.5 | ‡ |
| 72 | 33 | Geevor | 45 | +5 | ‡12.0 | 1.9 | ‡ |
| 83 | 40 | Gopeng Berhad M$0.50 | 40 | | g50.16 | ♦ | 13.9 |
| 650 | 650 | Hongkong | 650# | | — | — | — |
| 21 | 17½ | Jantar 12½p | 21 | | 2.5 | ♦ | 16.8 |
| 28 | 19 | Malaysia Mng. 10c | 19 | | ‡vQ6c | 2.4 | ‡ |
| 17 | 17 | Pahang | 17# | | — | — | — |
| 225 | 150 | Pengkalen 10p | 200 | | — | — | — |
| 130 | 90 | Petaling $M1 | 95 | | vQ60c | 0.2 | 17.5 |
| 130 | 95 | Sungei Besi $M1 | 110 | +5 | ‡vQ43c | — | ‡ |
| 150 | 105 | Tanjong 15p | 120 | +5 | — | — | — |
| 125 | 60 | Tongkah H. Tin $M1 | 60 | | vQ23c | 1.2 | 11.6 |
| 140 | 75 | Tronoh $M1 | 75 | | ‡vQ64c | 1.1 | 23.6 |

### Miscellaneous

| 1986 High | Low | Stock | Price | + or − | Div Net | Cvr | Y'ld Gr's |
|---|---|---|---|---|---|---|---|
| 30 | 30 | Anglo-Dominion | 30 | | — | — | — |
| 42 | 28 | Angle Utd Dev | 28 | | d1.05 | ♦ | 5.4 |
| 80 | 50 | Colby Res Corp | 68 | | — | — | — |
| 300 | 200 | Cons. Murch. 10c | 225 | | Q80½c | 3.9 | ‡ |
| 34 | 28 | Emess Int. Ir10p | 32 | | — | — | — |
| 101 | 70 | Greenwich Res | 88 | | — | — | — |
| 143 | 106 | Hampton Areas 10p | 106 | −6 | 3.75 | 0.9 | 4.8 |
| 245 | 165 | Highwood Res | 230 | | — | — | — |
| £19¼ | £15⅞ | Homestake Mining $1 | £16 | | Q20c | — | 0.9 |
| 310 | 185 | McFinley Red Lake | 200 | | — | — | — |
| 285 | 210 | Musto Explorations | 220 | | — | — | — |
| 51 | 40 | New Sabina Res C$1 | 43 | −4 | — | — | — |
| 260 | 210 | Northgate C$1 | 222 | | — | — | — |
| 790 | 513 | RTZ | 757 | −23 | †20.0 | 2.8 | 3.8 |
| £164 | £115 | Do. 9½pcLn '95-2000 | £153½ | −5½ | Q9½% | 14.0 | 6.2 |
| 950 | 800 | Tara Expln $1 | 900 | | — | — | — |

## NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ✚ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim; reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ⁂ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

## REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

| Stock | Price | + or − |
|---|---|---|
| Albany Inv 20p | 118 | +6 |
| Craig & Rose £1 | £13 | |
| Finlay Pkg 5p | 49 | +3 |
| Holt (Jos) 25p | 770 | |
| IoM Stm £1 | 82 | +6 |
| **IRISH** | | |
| Fund 11¾% 1988 | £102½xd | +¼ |
| Nat. 9¾% 84/89 | £100¾ | +¼ |
| Fin. 13% 97/02 | £122¼ | +½ |
| Arnotts | 375 | +5 |
| CPI Hldgs | 65 | |
| Carroll Inds | 195 | +7 |
| Dublin Gas | 45 | |
| Hall (R. & H.) | 67 | +3 |
| Heiton Hldgs | 30 | |
| Irish Ropes | 78 | +3 |
| Unidare | 188 | −2 |

"Recent Issues" and "Rights" Page 16
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# LONDON STOCK EXCHANGE

## MARKET REPORT

Account Dealing Dates
Option

| *First Dealings | Declarations | Last Dealings | Account Day |
|---|---|---|---|
| Mar 10 | Mar 26 | Mar 27 | Apr 7 |
| Apr 1 | Apr 10 | Apr 11 | Apr 21 |
| Apr 14 | Apr 24 | Apr 25 | May 6 |

* " New-time " dealings may take place from 9.30 am two business days earlier.

# Equity markets fall on profit-taking

# Index 20 off at 1400.9

The first trading session of the new financial year on London stock markets started with a widespread setback in equities as many small investors decided to take advantage of the all-time peaks established in share values.

Sentiment was generally undermined by the sustained fall on Wall Street—the Dow Jones Industrial Average fell a record 27.8 last Friday and recorded a loss of around 83 points on the week—and brokers were inundated with private client selling orders at the opening of business. This was soon reflected in the FT Ordinary share index which posted a loss of 21.9 at the 11.00 am calculation before recovering a little to close 20 points down on balance at 1,400.9.

The broader based FT-SE share index registered a loss of 24.7 points prior to settling a net 21.2 down at 1,688.5.

There were few signs of any institutional selling and, with most of the small offerings completed during the morning, a minor rally developed as a few cheap buyers appeared on the scene.

Meanwhile, the Financial sector continued to claim considerable attention. Standard Chartered featured again with a further rise of 73 to 878p, after 885p, as market speculators pinned their hopes on a higher offer from Lloyds Bank or a possible counter bid. Midland, an old takeover chestnut, also met with speculative demand and ended 15 to the good at 568p.

In contrast, other clearers were unsettled by the closure of the Mainland Savings Bank of Houston which had been hit by heavy losses on its lending to the troubled Texan real estate industry. Barclays and NatWest both fell around 20 to 527p and 880p respectively. Life insurance shares trended easier, sentiment here being disturbed by mounting concern about the United Kingdom Provident Institution's financial position.

However, weekend Press tips met with a ready response and provided a welcome relief to the generally drab background.

The agreed EMS realignment which is expected to pave the way for lower European interest rates—the Belgian Bank rate was reduced ½ point to 9½ per cent yesterday—helped towards a revival in Government securities. Business was relatively light, but quotations responded smartly in thin trading to close with gains extending to ¾ and occasionally more at the long end of the market.

Index-linked issues again moved ahead sharply as further demand found the market none too well supplied with stock.

Weekend Press speculation that Hambros could be a takeover target, particularly in the wake of the Hambros family's recent declaration that it is prepared to sell its controlling stake, saw the shares touch a new peak of 278p before closing 30 higher on balance at 268p.

United Kingdom Provident worries left Equity and Law 7 lower at 243p and Legal and General 11 off at 745p. Prudential relinquished 10 at 983p.

Vaux Breweries, a strong market recently on speculation about a bid from Pleasurama, reacted to 480p prior to closing a net 40 down at 495p in the absence of any developments. Among leading Breweries, Bass lost 17 at 183p and Allied-Lyons shed 8 to 300p. Guinness dipped to 343p before settling only 3 cheaper on news that the group has sold the New Piccadilly Hotel to Air France for £31m.

Leading Buildings suffered a fairly sharp setback in the face of light selling. Blue Circle, a particularly firm market recently reflecting a pending 4 per cent cement price increase, reacted 15 to 673p. Rugby Portland Cement fell 8 to 179p following annual profits below market estimates. BPB Industries lost 14 at 471p while Tarmac, 502p, and RMC, 638p, both shed 10. Redland came back 13 to 487p and George Wimpey fell 7 to 180p as bid hopes continued to recede. Magnet and Southerns, a strong market last Friday on Woolworth bid rumours, gave up 10 to 174p in the absence of any developments, while SGB, another takeover favourite, slipped 8 to 358p. Among the occasional bright spots in the sector, Wilson (Connelly) stood out with a gain of 15 at 428p following the good annual results and proposed 100 per cent scrip issue. Federated Housing added 3 to 100p in response to the chairman's confident statement at the annual meeting, while Helical Bar continued to attract buyers and gained 3 afresh to 162p.

ICI dipped to 927p initially before closing 11 cheaper on balance at 929p. Laporte encountered scrappy selling and shed 9 to 388p.

### Woolworth edge higher

Hopes of an increased bid from Dixons or a counter offer prompted further support for Woolworths which put on 5 more to 905p, after 910p; Dixons ran back 10 to 398p. Other leading Stores drifted easier with Marks and Spencer 3 cheaper at 216p and Burton another 8 lower at 332p. Harris Queensway and Sears dipped a couple of pence apiece to 298p and 144p respectively, but Next hardened to 294p ahead of today's half-year results. Bid hopes encouraged demand for Peters Stores, 8 firmer at 68p while favourable Press comment prompted good buying of Executex, 17 up at 132p.

A midday speculative flurry in STC on revived takeover hopes left the shares 6 higher at 142p, after 146p. Press comment highlighting bid possibilities attracted investors to Crystalate which ended 13 to the good at 225p, while others to benefit from favourable weekend Press mentions included Forward Technology, 7 better at 52p, after 55p, and Lorlin, 15 dearer at 180p. HB Electronic reflected recovery hopes with a rise of 7 at 50p and Audiotronic added 2½ to 13p following speculative support. Memory Computer firmed 2 to 16p in response to news of the interim profits recovery, while Sunleigh continued to reflect asset injection hopes with a fresh improvement of 2½ to 29½p. Adverse Press comment clipped 8 from United Scientific, at 150p, while Amstrad lost 10 to 478p following profit-taking in the wake of early details of the £5m acquisition of Sir Clive Sinclair's research computer business. BSR, recently rumoured to be on Amstrad's shopping list, reacted to 112p before closing only a couple of pence off on balance at 116p. Among the quietly dull leaders, Thorn EMI fell 10 to 540p and GEC lost 4 at 194p as did British Telecom at 270p.

Secondary issues provided the major focal point in Engineerings. Glynwed rose 12 to 380p, after 384p, in response to the results and proposed 100 per cent scrip-issue, while TI reflected revived speculation concerning Evered's stake in the company and closed 15 to the good at 539p. Bromsgrove Castings jumped to 89p initially on Press comment before closing 6 dearer on balance at 76p. Others to draw strength from better on balance at 76p... newspaper mention included Wellman, 3½ dearer at 31½p, Richardson Westgarth, 9 up at 55p and Blackwood Hodge, 2 harder at 60p, after 61½p. Vague rumours of a bid from F. H. Tomkins lifted Weir Group 5 further to 133p, while persistent demand left Pegler-Hattersley 36 dearer at 435p. Chemring jumped 30 to 600p in a thin market and Ash and Lacy improved a few pence to 383p; the latter's annual results are scheduled for today. Hawker, 16 off at 579p, led the leaders lower. GKN ended 7 easier at 322p. Vickers rallied smartly towards the close on acquisition details to finish only a couple of pence down at 538p, after 525p.

Foods met with widespread profit-taking. Tate and Lyle, a particularly firm market of late, came back 20 to 633p, while Cadbury Schweppes lost 6 at 172p. S. & W. Berisford, up 18 on Friday following the share-exchange offer from Hillsdown Holdings, eased 5 to 243p; Hillsdown were only 3 cheaper at 307p. Elsewhere, Associated British Foods lost 12 to 348p and Ranks Hovis McDougall shed 8 to 236p. Rowntree Mackintosh came on offer at 498p, down 14 and Unigate dipped 10 to 275p. Among Food Retailers, Tesco slipped 5 to 370p and Dee gave up 7 at 278p. Elsewhere, Cliffords Dairies A attracted fresh support on takeover hopes and gained 11 more to 240p.

Leading Hotels were relatively unscathed although Trusthouse Forte settled 5 cheaper at 182p. Elsewhere, Queens Moat Houses closed 2 cheaper at 76p, after 78½p, following the annual results and details of a placing of first Mortgage Debenture stock to raise £35m aimed at reducing borrowing and financing further expansion.

### Beecham good again

Beecham were again outstanding among otherwise quietly dull miscellaneous industrial leaders, rising 20 afresh to 406p, after 413p, amid mounting speculation about a possible bid from ICI. Profit-taking, meanwhile, left Metal Box 21 down at 685p, Reckitt and Colman 25 lower at 860p and BTR, 10 down at 471p. Elsewhere, press-inspired gains of around 11 were seen in Grampian, 270p, Low and Bonar, 457p, and Hestair, 152p, while Spong were a couple of pence dearer at 24p for a similar reason. Dwek jumped 10 to 83p in anticipation of today's annual figures and Burns Anderson closed 6 better at 60p, having earlier touched 83p on rumours of a dawn raid. Cannon Street Investments moved up to 108p before closing only 2 higher at 97p, while acquisition details left Halma 18 higher at 258p. Dupert put on 4½ to 104½p and Standard Fireworks, awaiting further news of the bid aproach, added 5 more to 145p. Pentland, on the other hand, cheapened 80 to 510p, after 485p, following profit-taking in the wake of the excellent results. Parkfield came on offer at 430p, down 30.

Among television issues, Scottish TV "A" gained 19 to 304p following the good annual results. LWT "A" rose 13 to 340p in sympathy.

Jaguar opened lower at 425p, but the reappearance of buyers saw the shares rally well to close only 5 cheaper on balance at 433p. Lucas Industries settled 8 off at 620p, after 618p. Elsewhere in Motors, Jonas Woodhead gained 7 to 52p as IEP Securities disposed of its stake and Carclo Engineering acquired a 15.49 per cent holding, giving rise to renewed bid hopes. Carclo shed 5 to 355p. Jessups attracted speculative buying and gained 8 to 103p.

PR company Good Relations followed Friday's 15 rise with a fresh advance of 8 to 176p before the shares were suspended ahead of news that merger discussions are in progress with Valin Pollen. In the event of a satisfactory conclusion of the merger talks Valin Pollen will make an all share offer for Good Relations; Valin Pollen dipped 10 to 205p. More O'Ferrall's preliminary results were given a good reception and the shares moved up 5 to 128p, while Aldcom rose to 49p before slipping back to close a net 3 off at 45p in the wake of the annual results.

In Newspapers, Associated retreated 15 to 303p and United Newspapers 7 to 338p. International Thomson, however, moved up 7 to 462p, helped by the rise in oil prices.

MEPC dipped to 333p before renewed support left the close only a couple of pence cheaper on balance at 338p. Land Securities traded quietly and settled 2 off at 311p. Outside the Property leaders, Abaco, a firm market recently on speculative buying, came back 5 to 45p, while Regalian lost 25 to 500p following profit-taking. London and Provincial Shop Centres closed 5 cheaper at 238p, after 235p, awaiting today's interim results, but Connells, preliminary figures due on Friday, firmed 5 to 215p. Edmond firmed 2 to 19p in reply to press comment, while Mountleigh rose 15 to 775p on news that the company had submitted outline planning permission for the development of a shopping and leisure complex near Leeds.

### Oils improve

The shutdown of Norwegian oilfields in the North Sea—eliminating around 1m barrels a day of oil production—gave a major boost to crude oil prices and prompted good support for oil shares. The leaders made progress throughout the session, but generally closed a fraction below the day's best levels. BP touched 570p before ending a net 5 up at 568p. Britoil and LASMO rose 6 apiece to 186p and 148p respectively, while Enterprise Oil edged up 3 to 147p.

In Overseas Traders, Lonrho moved ahead to a 1986 high of 301p reflecting press comment and ahead of today's annual meeting, but subsequently eased to close a net 4 firmer at 299p.

UK mining financials, the subject of intense takeover speculation over the past few weeks, encountered a wave of profit-taking. Rio Tinto-Zinc, where Australian Robert Holmes à Court is rumoured to have built up a shareholding in the region of 6 or 7 per cent, dropped 23 to 757p in the absence of any bid developments or the much-rumoured "dawn-raid," while Consolidated Gold Fields retreated 15 to 480p. Hampton Areas dipped 6 to a year's low of 106p despite favourable press comment.

Australians were generally marked down at the outset, reflecting the easier trend in Sydney and Melbourne markets overnight, and thereafter moved narrowly in either direction. In the leaders Western Mining dipped 8 more to 168p—a two-day fall of 12.

## FINANCIAL TIMES STOCK INDICES

## HIGHS AND LOWS / S.E. ACTIVITY

## NEW HIGHS AND LOWS FOR 1986

### NEW HIGHS (173)

BRITISH FUNDS (28), COMMONWEALTH & AFRICAN LOANS (2), LOANS (1), AMERICANS (1), BANKS (5), BREWERS (4), BUILDINGS (5), CHEMICALS (1), STORES (10), ELECTRICALS (15), ENGINEERING (18), FOODS (3), HOTELS (1), INDUSTRIALS (42), INSURANCE (1), LEISURE (2), MOTORS (3), NEWSPAPERS (1), PAPER (7), PROPERTY (8), TRUSTS (9), OILS (2), OVERSEAS TRADERS (3), PLANTATIONS (1).

### NEW LOWS (41)

BANKS (2) Bank Leumi, Good Durrant & Murray. BUILDINGS (1) Trent Hldgs. CHEMICALS (1) Blagden Inds. ELECTRICALS (8) Amer. Elect. Comps., Dubilier, Perkin-Elder 4pc, Prico, Do. A, Sigmex Intl., Telecomputing, Utd. Scientific. ENGINEERING (1) Hall (Matthew). FOODS (2) Assoc. Fisheries, Bejam. HOTELS (1) Aberdeen Steak Houses. INDUSTRIALS (7) Black (P.), English China Clays, Hollis, Johnsen & Jorgensen, Ropner A, Vinten, Wills Group. LEISURE (1) GRA. NEWSPAPERS (1) Metal Bulletin. PAPER (1) Croton Lodge. TRUSTS (4) Channel Islands Inc., Independent Inv., Aitken Hume, Silvermines. OILS (6) Aberdeen Amer. Petroleum, Highland Parts., KCA Drilling, Moonie Oil, TR Energy, Tuskar Resources. MINES (5) Asia Oil & Minerals, Kia Ora Gold, Queen Margaret Gold, Swan Resources, Hampton Areas.

## RECENT ISSUES

### EQUITIES

### FIXED INTEREST STOCKS

### RIGHTS OFFERS

| Issue price | Amount paid up | Latest Renunc. date | 1986 High | 1986 Low | Stock | Closing price | + or − |
|---|---|---|---|---|---|---|---|
| 140 | Nil | — | 285pm | 250pm | ✻Alida Hlgs. | 250pm | −5 |
| 2 0 | Nil | — | 70pm | 53pm | Assoc. Newspapers | 53pm | −12 |
| 140 | Nil | 12/5 | 33pm | 16pm | Crest Nicholson 10p | 27pm | −6 |
| 200 | F.P. | 18/4 | 275 | 265 | Cullens Hldgs. 10p | 275 | .... |
| 207 | Nil | — | 52pm | 35pm | Greycoat (10p) | 42pm | −10 |
| 150 | Nil | 9/5 | 68pm | 58pm | Heywood Williams | 64pm | ..... |
| Ir.82 | Nil | 6/5 | 44pm | 33pm | Jacobs (W.R.) | 42pm | +9 |
| 83 | Nil | 2/5 | 17pm | 12pm | Martin (A.) 20p | 14pm | −2 |
| 63 | Nil | — | 10pm | 10pm | Pentos | 10pm | ..... |
| 100 | Nil | 29/4 | 70pm | 48pm | Thomson T-Line | 70pm | ..... |
| 11 | F.P. | 25/4 | 20½ | 16½ | Tranwood 5p. | 19 | −½ |
| 70 | Nil | — | 75pm | 50pm | WSL 5p. | 50pm | ..... |
| 425 | Nil | 2/5 | 166pm | 136pm | Wolseley-Hughes | 144pm | −12 |

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1986. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. z Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ▓ Allotment price. ✻ Unlisted securities market. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

## TRADITIONAL OPTIONS

| First Dealings | Last Dealings | Last Declaration | For Settlement |
|---|---|---|---|
| Mar 17 | Apr 4 | June 26 | July 7 |
| Apr 7 | Apr 18 | July 10 | July 21 |
| Apr 21 | May 2 | July 24 | Aug 4 |

*For rate indications see end of Unit Trust Service*

Stocks favoured for the call included Abaco, British Dredging, Hestair, Edmond Holdings, Thomas Borthwick, Lonrho, Amstrad, Sutcliffe Speakman, United Biscuits, Chloride, Standard Chartered, George Wimpey, Sears, Hambros, C. H. Bailey, Wardle Storeys, S. and W. Berisford, Yorkshire Chemical, AB Foods, Hawley, Aitken Hume, Beecham, Wellcome, Electronic Rentals, Richardson Westgarth, BSR, Helical Bar, Bestwood, Aztec Exploration, STC, C. E. Heath, Wellman Engineering, Cannon Street Investments, Plessey, Stothert and Pitt, Magnet and Southerns, Raine Industries, Carless Capel and Leonard and Tranwood. No puts were arranged, but a double was done in Standard Chartered.

## RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 105 | 1 | 5 |
| Corpns. Dom. and Foreign Bonds | 20 | 2 | 50 |
| Industrials | 235 | 528 | 733 |
| Financial and Props. | 134 | 78 | 298 |
| Oils | 20 | 29 | 71 |
| Plantations | 2 | 4 | 9 |
| Mines | 31 | 55 | 96 |
| Others | 31 | 101 | 66 |
| Totals | 639 | 798 | 1,325 |

## FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

| | | Mon April 7 1986 Index No. | Day's Change % | Est. Earnings Yield% (Max.) | Gross Div. Yield% (ACT at 29%) | Est. P/E Ratio (Net) | xd adj. 1986 to date | Fri April 4 Index No. | Thurs April 3 Index No. | Wed April 2 Index No. | Year ago (approx.) Index No. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | CAPITAL GOODS (212) | 726.11 | −1.4 | 7.98 | 3.26 | 15.83 | 3.97 | 736.25 | 737.75 | 735.05 | 535.82 |
| 2 | Building Materials (24) | 826.68 | −2.1 | 7.95 | 3.26 | 15.77 | 1.60 | 844.79 | 843.55 | 833.36 | 487.58 |
| 3 | Contracting, Construction (28) | 1147.80 | −1.3 | 7.94 | 3.85 | 16.70 | 5.65 | 1163.06 | 1170.95 | 1163.99 | 699.29 |
| 4 | Electricals (12) | 1972.69 | −0.7 | 7.13 | 3.85 | 18.61 | 2.14 | 1986.50 | 1969.06 | 1965.50 | 1543.46 |
| 5 | Electronics (38) | 1648.76 | −1.1 | 8.91 | 2.76 | 14.76 | 8.56 | 1666.54 | 1675.80 | 1691.37 | 1622.58 |
| 6 | Mechanical Engineering (64) | 416.81 | −0.9 | 8.59 | 3.63 | 14.54 | 2.63 | 420.69 | 420.74 | 416.77 | 301.84 |
| 8 | Metals and Metal Forming (7) | 331.77 | +0.3 | 7.80 | 5.18 | 19.01 | 8.08 | 330.81 | 332.96 | 329.84 | 191.48 |
| 9 | Motors (17) | 291.33 | −1.7 | 8.17 | 3.28 | 14.50 | 2.81 | 296.31 | 297.94 | 297.13 | 163.12 |
| 10 | Other Industrial Materials (22) | 1323.18 | −1.7 | 6.33 | 2.95 | 18.89 | 11.08 | 1346.60 | 1347.13 | 1339.01 | 927.23 |
| 21 | CONSUMER GROUP (185) | 949.58 | −1.6 | 7.21 | 2.98 | 17.54 | 4.33 | 964.79 | 968.16 | 954.56 | 629.82 |
| 22 | Brewers and Distillers (23) | 956.25 | −1.3 | 8.25 | 3.19 | 15.45 | 4.15 | 968.88 | 968.90 | 955.82 | 563.22 |
| 25 | Food Manufacturing (22) | 688.25 | −2.0 | 8.67 | 3.72 | 15.05 | 3.89 | 702.63 | 692.30 | 684.88 | 489.76 |
| 26 | Food Retailing (14) | 1919.19 | −1.2 | 6.25 | 2.38 | 21.72 | 6.43 | 1942.53 | 1940.13 | 1926.02 | 1526.77 |
| 27 | Health and Household Products (10) | 1579.76 | −1.0 | 5.01 | 2.87 | 23.47 | 1.51 | 1596.26 | 1598.52 | 1589.84 | 982.96 |
| 29 | Leisure (24) | 946.81 | −1.3 | 7.54 | 3.69 | 17.23 | 10.07 | 958.85 | 963.36 | 968.51 | 652.35 |
| 32 | Publishing & Printing (14) | 2371.37 | −1.5 | 7.28 | 3.60 | 17.39 | 4.41 | 2407.02 | 2399.59 | 2375.81 | 1731.20 |
| 33 | Packaging and Paper (14) | 463.34 | −2.3 | 7.72 | 3.38 | 15.59 | 1.89 | 474.35 | 476.21 | 468.95 | 308.51 |
| 34 | Stores (44) | 958.10 | −1.3 | 5.78 | 2.33 | 23.47 | 1.32 | 970.32 | 984.64 | 948.64 | 589.19 |
| 35 | Textiles (17) | 557.42 | −2.8 | 8.64 | 3.23 | 13.25 | 0.43 | 573.44 | 574.41 | 570.87 | 317.91 |
| 36 | Tobaccos (3) | 1118.62 | −3.2 | 11.46 | 4.65 | 10.18 | 20.60 | 1156.04 | 1174.33 | 1172.96 | 823.70 |
| 41 | OTHER GROUPS (05) | 848.45 | −1.3 | 8.10 | 3.47 | 15.73 | 4.78 | 859.53 | 856.61 | 854.25 | 673.97 |
| 42 | Chemicals (19) | 913.77 | −0.8 | 10.15 | 4.38 | 11.87 | 14.95 | 921.46 | 928.35 | 925.11 | 749.51 |
| 44 | Office Equipment (4) | 264.11 | +0.2 | 7.33 | 3.76 | 16.25 | 3.81 | 263.65 | 264.70 | 264.54 | 178.34 |
| 45 | Shipping and Transport (12) | 1655.21 | −1.1 | 7.26 | 3.63 | 16.61 | 14.45 | 1674.28 | 1677.64 | 1662.69 | 1143.42 |
| 47 | Telephone Networks (2) | 1034.79 | −1.5 | 7.96 | 3.12 | 17.22 | 0.93 | 1050.03 | 1035.16 | 1036.49 | 834.20 |
| 48 | Miscellaneous (49) | 1033.32 | −1.6 | 6.98 | 3.28 | 17.63 | 2.67 | 1050.21 | 1053.25 | 1045.81 | 825.35 |
| 49 | INDUSTRIAL GROUP(483) | 875.51 | −1.5 | 7.61 | 3.17 | 16.63 | 4.42 | 888.47 | 889.80 | 881.99 | 625.03 |
| 51 | Oil & Gas (17) | 1194.43 | +0.8 | 18.27 | 7.55 | 6.46 | 38.50 | 1185.43 | 1191.52 | 1175.36 | 1172.38 |
| 59 | 500 SHARE INDEX(500) | 904.59 | −1.2 | 8.69 | 3.61 | 14.34 | 7.06 | 915.93 | 917.63 | 909.14 | 670.76 |
| 61 | FINANCIAL GROUP (118) | 624.02 | −0.9 | — | 4.88 | — | 5.90 | 629.86 | 624.02 | 620.72 | 449.08 |
| 62 | Banks (7) | 686.42 | −1.2 | 16.95 | 4.83 | 8.22 | 12.90 | 695.10 | 670.81 | 681.84 | 424.07 |
| 65 | Insurance (Life) (9) | 887.59 | −0.9 | — | 4.08 | — | 4.56 | 895.93 | 906.11 | 892.99 | 676.14 |
| 66 | Insurance (Composite) (7) | 510.84 | −1.1 | — | 4.05 | — | 4.28 | 516.52 | 517.27 | 502.65 | 334.48 |
| 67 | Insurance (Brokers) (8) | 1266.02 | −0.2 | 7.13 | 3.65 | 18.70 | 11.87 | 1269.05 | 1275.93 | 1267.27 | 1145.72 |
| 68 | Merchant Banks (11) | 369.43 | +1.4 | — | 2.85 | — | 1.60 | 364.27 | 358.12 | 352.03 | 230.86 |
| 69 | Property (51) | 744.05 | −0.6 | 5.45 | 3.33 | 24.59 | 1.50 | 748.43 | 751.57 | 749.05 | 624.91 |
| 70 | Other Financial (25) | 354.43 | −2.1 | 7.36 | 4.11 | 16.29 | 1.64 | 362.60 | 357.92 | 354.27 | 285.84 |
| 71 | Investment Trusts (103) | 748.38 | −1.1 | — | 2.90 | — | 4.32 | 756.47 | 759.99 | 756.94 | 591.12 |
| 81 | Mining Finance (3) | 320.65 | −3.0 | 19.56 | 4.78 | 11.24 | 1.60 | 330.55 | 325.74 | 307.62 | 297.44 |
| 91 | Overseas Traders (14) | 702.43 | +0.4 | 12.31 | 5.87 | 9.65 | 8.09 | 699.46 | 701.24 | 701.42 | 653.87 |
| 99 | ALL-SHARE INDEX (738) | 822.45 | −1.2 | — | 3.69 | — | 6.56 | 832.36 | 832.39 | 825.00 | 612.14 |

| | Index No. | Day's Change | Day's High | Day's Low | Apr 4 | Apr 3 | Apr 2 | Apr 1 | Mar 27 | Year ago |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 SHARE INDEX ♦ | 1688.5 | −21.2 | 1703.5 | 1685.0 | 1709.7 | 1717.6 | 1702.9 | 1684.0 | 1668.8 | 1270.2 |

## FIXED INTEREST

| | PRICE INDICES | Mon Apr 7 | Day's change % | Fri Apr 4 | xd adj. today | xd adj. 1986 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | 5 years | 122.70 | +0.30 | 122.34 | — | 3.28 |
| 2 | 5-15 years | 145.54 | +0.42 | 144.93 | — | 3.12 |
| 3 | Over 15 years | 155.04 | +0.60 | 154.12 | — | 3.61 |
| 4 | Irredeemables | 173.47 | +0.26 | 173.03 | — | 1.62 |
| 5 | All stocks | 140.58 | +0.40 | 140.02 | — | 3.38 |
| | Index-Linked | | | | | |
| 6 | 5 years | 111.48 | +0.91 | 110.47 | — | 0.81 |
| 7 | Over 5 years | 112.65 | +1.99 | 110.45 | — | 0.91 |
| 8 | All stocks | 112.44 | +1.60 | 110.45 | — | 0.90 |
| 9 | Debentures & Loans | 122.80 | +0.22 | 122.53 | — | 2.48 |
| 10 | Preference | 84.84 | — | 84.84 | — | 2.17 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Mon Apr 7 | Fri Apr 4 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low Coupons | 5 years | 8.27 | 8.37 | 10.84 |
| 2 | | 15 years | 8.63 | 8.67 | 10.71 |
| 3 | | 25 years | 8.63 | 8.67 | 10.24 |
| 4 | Medium Coupons | 5 years | 9.28 | 9.37 | 11.72 |
| 5 | | 15 years | 9.02 | 9.09 | 11.01 |
| 6 | | 25 years | 8.94 | 9.04 | 10.44 |
| 7 | High Coupons | 5 years | 9.33 | 9.40 | 11.81 |
| 8 | | 15 years | 9.16 | 9.23 | 11.17 |
| 9 | | 25 years | 9.06 | 9.10 | 10.56 |
| 10 | Irredeemables† | | 8.72 | 8.74 | 10.06 |
| | Index-Linked | | | | |
| 11 | Inflat'n rate 5% | 5 yrs. | 3.70 | 4.07 | 0.0 |
| 12 | Inflat'n rate 5% | Over 5 yrs. | 3.62 | 3.74 | 0.0 |
| 13 | Inflat'n rate 10% | 5 yrs. | 2.64 | 3.00 | 0.0 |
| 14 | Inflat'n rate 10% | Over 5 yrs. | 3.46 | 3.58 | 0.0 |
| 15 | Debs & Loans | 5 years | 10.17 | 10.18 | 12.89 |
| 16 | | 15 years | 10.07 | 10.09 | 11.79 |
| 17 | | 25 years | 9.97 | 10.00 | 11.60 |
| 18 | Preference† | | 11.31 | 11.31 | 12.69 |

♦Opening index 1702.9; 10 a.m. 1694.1; 11 a.m. 1686.7; Noon 1689.6; 1 p.m. 1690.1; 2 p.m. 1691.5; 3 p.m. 1691.3, 3.30 p.m. 1690.2; 4 p.m. 1690.0

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

## FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

| Stock | No. of changes | Fri. close | Day's change |
|---|---|---|---|
| Standard Chart | 72 | 805 | +163 |
| Amstrad | 39 | 488 | +46 |
| Midland Bank | 39 | 553 | +45 |
| Beecham | 36 | 386 | +18 |
| Woolworth | 36 | 900 | +40 |
| Distillers | 33 | 706 | +24 |
| RTZ | 31 | 780 | +16 |
| Shell Trans | 31 | 758 | −8 |
| Hillsdown | 30 | 310 | +34 |
| BAT Inds | 29 | 395 | −10 |
| Aurora | 27 | 73½ | +14½ |
| NatWest Bank | 27 | 900 | +10 |

## YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

| Stocks | Closing price | Day's change |
|---|---|---|
| Beecham | 406 | +20 |
| Blue Circle | 673 | −15 |
| Dupont | 104½ | +4½ |
| Hambros | 268 | +30 |
| I. C. Gas | 415 | +22 |
| Midland Bank | 568 | +15 |
| Rugby Port Cement | 179 | −8 |
| Shell Transport | 768 | — |
| Standard Chartered | 878 | +73 |
| Trafalgar House | 312 | −13 |
| Vaux | 495 | −40 |
| Vickers | 538 | −2 |

## EUROPEAN OPTIONS EXCHANGE

| Series | | May Vol. | May Last | Aug. Vol. | Aug. Last | Nov. Vol. | Nov. Last | Stock |
|---|---|---|---|---|---|---|---|---|
| GOLD C | $340 | 15 | 11.60 | 22 | 25 B | — | — | $338.40 |
| GOLD C | $350 | 10 | 6 | 50 | 16 | 3 | 24 | " |
| GOLD C | $360 | 68 | 3.50 B | 56 | 13 | 10 | 19 | " |
| GOLD C | $370 | 29 | 2 | 76 | 9 | 32 | 16.90 B | " |
| GOLD C | $400 | — | — | 87 | 3.70 | — | — | " |
| GOLD P | $290 | 10 | 0.40 | 73 | 4 | — | — | " |
| GOLD P | $300 | 15 | 2.10 | 401 | 6 | — | — | " |
| GOLD P | $320 | 141 | 3.20 A | 59 | 9 A | 57 | 12 | " |
| GOLD P | $340 | 5 | 10 A | 65 | 16 | 28 | 20 | " |
| GOLD P | $350 | — | — | 68 | 20 | — | — | " |
| | | June | | Sept. | | Dec. | | |
| £/FL C | Fl.390 | 10 | 7.80 | 102 | 11 | — | — | Fl.392.94 |

TOTAL VOLUME IN CONTRACTS: 48,418.

A=Ask B=Bid C=Call P=Put

## LONDON TRADED OPTIONS

| Option | | Calls Apr. | Calls July | Calls Oct. | Puts Apr. | Puts July | Puts Oct. |
|---|---|---|---|---|---|---|---|
| B.P. (*568) | 500 | 72 | 93 | 102 | 2 | 6 | 12 |
| | 550 | 30 | 50 | 65 | 10 | 18 | 25 |
| | 600 | 5 | 25 | 36 | 38 | 45 | 50 |

| Option | | Calls May | Calls Aug. | Calls Nov. | Puts May | Puts Aug. | Puts Nov. |
|---|---|---|---|---|---|---|---|
| P. & O. (*536) | 420 | 127 | 140 | — | 1 | 2 | — |
| | 460 | 87 | 100 | 110 | 1 | 3 | 10 |
| | 500 | 50 | 72 | 85 | 6 | 16 | 23 |
| | 550 | 22 | 45 | 58 | 30 | 40 | 47 |

April 7 Total contracts 19,742. Calls 15,831 Puts 3,912. *Underlying security price.

# WORLD STOCK MARKETS

## AUSTRIA

[illegible]

## BELGIUM/LUXEMBOURG

[illegible]

## DENMARK

[illegible]

## FRANCE

[illegible]

## GERMANY

[illegible]

## NETHERLANDS

[illegible]

## NORWAY

[illegible]

## SPAIN

[illegible]

## SWEDEN

[illegible]

## ITALY

[illegible]

## SWITZERLAND

[illegible]

## AUSTRALIA

[illegible]

## AUSTRALIA (continued)

[illegible]

## HONG KONG

[illegible]

## JAPAN

[illegible]

## JAPAN (continued)

[illegible]

## SINGAPORE

[illegible]

## SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

# CANADA

## TORONTO

*Prices at 2.30pm April 7*

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |
| 2195 | C Marconi | $25⅛ | 24¾ | 25⅛ | +¼ |
| 23800 | C Ocdental | $18¼ | 18 | 18 | −⅛ |
| 215726 | CP Ltd | $18½ | 18⅜ | 18⅜ | −⅛ |
| 71821 | CTire A f | $14⅝ | 14½ | 14½ | −⅛ |
| 8800 | CUtil A f | $19⅜ | 19¼ | 19¼ | −⅛ |
| 12100 | Cantor | $13¼ | 13 | 13 | −⅛ |
| 1200 | Cara | $27¼ | 27 | 27¼ | +⅛ |
| 2100 | Cara A f | $26¾ | 26⅝ | 26⅝ | −⅛ |
| 7650 | Carl OK | $14⅞ | 14⅝ | 14⅝ | |
| 16000 | Carma A | 20 | 18½ | 20 | |
| 8500 | Carolin | 191 | 190 | 190 | −2 |
| [illegible] | | | | | |
| 8645 | Gulf Can | $16¼ | 16⅛ | 16⅛ | −⅛ |
| 3000 | Hawker | $26½ | 26¼ | 26¼ | −⅜ |
| 1361 | Hayes D | $14¾ | 14⅝ | 14¾ | −⅛ |
| 25620 | Hees Intl | $29⅝ | 29½ | 29½ | −⅛ |
| 700 | Heritag A f | $22½ | 22 | 22½ | |
| 6849 | H BayMn s | $7⅝ | 7⅝ | 7⅝ | −⅛ |
| 2087 | H Bay Co | $29¾ | 29⅝ | 29⅝ | −⅛ |
| 10836 | Husky Oil | $8½ | 8⅜ | 8½ | +⅛ |
| 310108 | Imasco | $34¼ | 33¼ | 33¾ | −⅜ |
| 31220 | Imp Oil A | $46¾ | 46 | 46½ | +½ |
| 94985 | Inco | $21⅝ | 21⅜ | 21⅜ | −⅛ |
| [illegible] | | | | | |
| 1100 | PacW Airl | $13¾ | 13¾ | 13¾ | −⅛ |
| 50245 | Pgurin A f | $16 | 15⅝ | 15¾ | −½ |
| 150 | Pamour | $10¼ | 10¼ | 10¼ | −⅛ |
| 12340 | PanCan P | $24⅛ | 24 | 24 | |
| 6100 | Pegasus | $8⅞ | 8¾ | 8⅞ | −⅛ |
| 22350 | PJewl A f | $13⅜ | 13⅛ | 13¼ | |
| 1725 | Pine Point | $9¾ | 9½ | 9½ | −⅜ |
| 6900 | Placer D | $22⅜ | 22¼ | 22¼ | −¼ |
| 12423 | Poco Pet | $8⅞ | 8½ | 8⅞ | +⅜ |
| 8725 | Powr Cor f | $28⅞ | 28½ | 28⅞ | +¼ |
| 12000 | Precamb | 400 | 375 | 400 | +35 |
| [illegible] | | | | | |
| 38650 | Vulcan Ind | $6⅛ | 5⅝ | 6⅛ | +½ |
| 1601 | Wajax A | $18¾ | 18¾ | 18¾ | −¼ |
| 690068 | Walker R | $36 | 35⅝ | 35¾ | −⅛ |
| 7600 | Welburne | $15⅞ | 15¾ | 15⅞ | |
| 12116 | Wcoast T | $13½ | 13⅜ | 13½ | +¼ |
| 1250 | Westmin | $9⅜ | 9⅜ | 9⅜ | |
| 525 | Weston | $128 | 127 | 128 | +1 |
| 10365 | Woodwd A | $7½ | 7⅜ | 7½ | |

F—No voting rights or restricted voting rights

# Indices

## NEW YORK—DOW JONES

| | April 7 | April 4 | April 3 | April 2 | April 1 | March 27 | 1985/86 High | 1985/86 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 1,723.68* | 1,739.22 | 1,768.40 | 1,795.26 | 1,790.11 | 1,821.72 | 1821.72 (27/3/86) | 1184.96 (4/1/85) | 1821.72 (27/3/86) | 41.22 (2/7/32) |
| Transport | 772.45* | 779.32 | 800.66 | 813.67 | 813.05 | 828.39 | 830.84 (31/3/86) | 553.03 (4/1/85) | 830.84 (31/3/86) | 12.32 (8/7/32) |
| Utilities | 183.57* | 186.55 | 189.68 | 191.27 | 191.32 | 191.53 | 193.73 (31/3/86) | 146.54 (4/1/85) | 193.73 (31/3/86) | 10.5 (28/4/42) |
| Trading vol | - | 147m | 148m | 145m | 167m | 178m | — | — | — | — |

| | March 21 | March 14 | March 7 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind Div Yield % | 3.65 | 3.60 | 3.77 | 4.82 |

### STANDARD AND POORS

| | April 7 | April 4 | April 3 | April 2 | April 1 | March 27 | 1985/86 High | 1985/86 Low | Since Compilation High | Since Compilation Low |
|---|---|---|---|---|---|---|---|---|---|---|
| Industrials | 258.56* | 252.66 | 258.58 | 260.22 | 259.37 | 263.87 | 263.87 (27/3/86) | 128.24 (4/1/85) | 263.87 (27/3/86) | 3.62 (30/6/32) |
| Composite | 226.74* | 228.69 | 232.47 | 235.71 | 235.14 | 238.97 | 238.97 (27/3/86) | 163.68 (4/1/85) | 238.97 (27/3/86) | 4.40 (1/6/32) |

| | March 26 | March 19 | Feb 19 | Year Ago (Approx) |
|---|---|---|---|---|
| Ind div yield % | 3.85 | 3.98 | 3.30 | 3.88 |
| Ind. P/E Ratio | 16.80 | 16.71 | 15.36 | 11.14 |
| Long Gov Bond Yield | 7.84 | 8.01 | 8.06 | 11.77 |

### N.Y.S.E. ALL COMMON

| April 7 | April 4 | April 3 | April 2 | 1985 High | 1985 Low |
|---|---|---|---|---|---|
| 131.14* | 132.29 | 134.41 | 136.08 | 136.17 (14/3/86) | 94.60 (4/1/85) |

### RISES AND FALLS

| | April 4 | April 3 | April 2 |
|---|---|---|---|
| Issues traded | 2,046 | 2,059 | 2,026 |
| Rises | 438 | 510 | 736 |
| Falls | 1,245 | 1,168 | 893 |
| Unchanged | 357 | 381 | 397 |

### NEW YORK ACTIVE STOCKS

| Friday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Hiram-Walker | 4,368,500 | 26 | +¼ |
| Genstar | 2,749,300 | 40½ | −⅜ |
| Phillips Petlm. | 2,368,800 | 10¾ | +⅜ |
| Chrysler | 2,164,100 | 40¼ | −2¾ |
| Am. Tel. & Tel. | 2,067,100 | 22 | — |
| IBM | 1,789,100 | 148¼ | −1⅛ |
| Merrill Lynch | 1,417,900 | 38 | −¼ |
| Aetna Life | 1,404,100 | 63¼xd | −1⅜ |
| Beatrice | 1,336,900 | 49½ | — |
| K Mart | 1,317,500 | 45¾ | +¼ |

### TORONTO

| | April 7 | April 4 | April 3 | April 2 | 1985/86 High | 1985/86 Low |
|---|---|---|---|---|---|---|
| Metals & Minls | 2,263.7* | — | 2,311.9 | 2,294.3 | 2,442.85 (21/3/86) | 1748.82 (21/10/85) |
| Composite | 3,019.3* | 3,017.4 | 3,036.2 | 3,029.9 | 3,055.3 (21/3/86) | 2348.5 (5/1/85) |
| MONTREAL Portfolio | 1,563.53* | 1,561.71 | 1,575.81 | 1,571.36 | 1,583.36 (21/3/86) | 1,209.49 (4/1/85) |

* Indicates pre-close figure

| | Apr. 7 | Apr. 4 | Apr. 3 | Apr. 2 | 1986 High | 1986 Low |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ord. (1/1/80) | 1148.5 | 1153.9 | 1144.2 | 1136.0 | 1168.8 (25/3) | 1010.8 (2/1) |
| Metals & Minls. (1/1/80) | 646.3 | 560.7 | 555.6 | 560.4 | 602.0 (24/3) | 492.5 (2/1) |
| **AUSTRIA** | | | | | | |
| Credit Bk Aktien (2/1/62) | 115.17 | 114.66 | 114.47 | 114.74 | 126.82 (16/1) | 110.12 (5/3) |
| **BELGIAN** | | | | | | |
| Brussels SE (1/1/80) | 3662.89 | 3644.21 | 3609.46 | 3582.17 | 3662.89 (7/4) | 2766.91 (16/1) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | (u) | (c) | (u) | 244.40 | 244.40 (2/4) | 214.57 (21/1) |
| **FRANCE** | | | | | | |
| CAC General (31/12/82) | (u) | 372.10 | (u) | (u) | 372.10 (4/4) | 267.8 (2/1) |
| Ind Tendance (31/12/85) | 144.5 | 145.4 | 141.7 | 139.2 | 145.4 (4/4) | 101.6 (2/1) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 712.01 | 704.63 | 699.94 | 695.57 | 716.76 (15/1) | 618.34 (27/2) |
| Commerzbank (1/12/53) | 2165.8 | 2085.5 | 2124.0 | 2107.1 | 2165.8 (7/4) | 1865.6 (27/2) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 1619.60 | 1643.90 | 1625.20 | 1603.27 | 1826.84 (8/1) | 1559.84 (19/3) |
| **ITALY** | | | | | | |
| Banca Comm Ital. (1972) | 717.97 | 726.61 | 728.15 | 732.92 | 732.92 (2/4) | 454.67 (24/1) |
| **JAPAN**** | | | | | | |
| Nikkei (16/5/49) | 15062.0 | 15019.81 | 15272.2 | 15555.5 | 15859.7 (31/3) | 12881.5 (21/1) |
| Tokyo SE New (4/1/68) | 1205.97 | 1202.33 | 1218.08 | 1245.95 | 1265.95 (31/3) | 1025.85 (21/1) |
| **NETHERLANDS** | | | | | | |
| ANP.CBS General (1970) | 270.1 | 269.0 | 269.9 | 267.3 | 270.1 (7/4) | 240.4 (5/3) |
| ANP.CBS Indust (1970) | 256.5 | 255.1 | 255.5 | 253.4 | 256.5 (7/4) | 234.0 (5/3) |
| **NORWAY** | | | | | | |
| Oslo SE (4/1/83) | 355.99 | 356.94 | 358.85 | 352.17 | 402.81 (16/1) | 341.35 (11/3) |
| **SINGAPORE** | | | | | | |
| Straits Times (30/12/66) | 585.22 | 588.31 | 595.28 | 597.41 | 644.89 (8/1) | 569.66 (19/3) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | — | 1215.4 | 1228.5 | 1216.9 | 1507.9 (27/1) | 1168.7 (18/2) |
| JSE Indust (28/9/78) | — | 1158.5 | 1140.6 | 1143.6 | 1208.1 (20/3) | 1069.3 (2/1) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 159.15 | 158.90 | 161.94 | 162.24 | 162.56 (1/4) | 100.83 (6/1) |
| **SWEDEN** | | | | | | |
| Jacobson & P (31/12/56) | 2201.72 | 2179.60 | 2138.54 | 2098.57 | 2201.72 (7/4) | 1729.57 (29/1) |
| **SWITZERLAND** | | | | | | |
| SwissBankCpn (31/12/58) | 599.5 | 601.0 | 599.0 | 595.1 | 625.5 (8/1) | 554.7 (28/2) |
| **WORLD** | | | | | | |
| M.S. Capital Intl. (1/1/70) | — | 298.0 | 302.2 | 306.3 | 309.6 (31/3) | 249.8 (25/1) |

** Saturday April 5. Japan Nikkei 15,124.33. TSE 1,210.59.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

# LONDON

Chief price changes (in pence unless otherwise indicated)

**RISES**

| | | |
|---|---|---|
| Ex 10½% 2005 | £114¼ | +⅞ |
| Tr 2½% IL 2020 | £93½ | +2½ |
| Beecham | 406 | +20 |
| Bromsgrove Ind | 76 | +6 |
| Burns-Anderson | 80 | +6 |
| Crystalate | 223 | +13 |
| Dwek | 83 | +10 |
| Executex Clothes | 132 | +17 |
| Forward Tech | 53 | +7 |
| Good Relations | 176† | +8 |
| Hambros | 268 | +30 |
| Hestair | 153 | +11 |
| Jessups | 103 | +8 |
| NMC Inv | 103 | +20 |
| Richardson West | 55 | +9 |
| STC | 142 | +6 |
| Scottish TV A | 304 | +19 |
| Standard Chart | 878 | +73 |
| Wilson (Connolly) | 428 | +15 |
| Woodhd (Jonas) | 52 | +7 |

**FALLS**

| | | |
|---|---|---|
| Abaco Inv | 45 | −5 |
| BAT Ind | 377 | −18 |
| Barclays | 527 | −21 |
| Dixons Group | 398 | −10 |
| Equity & Law | 243 | −7 |
| NatWest Bank | 860 | −20 |
| Rugby Pt Cemnt | 179 | −8 |
| Tate & Lyle | 633 | −20 |
| Vaux | 495 | −40 |

† Price at suspension

# OVER-THE-COUNTER

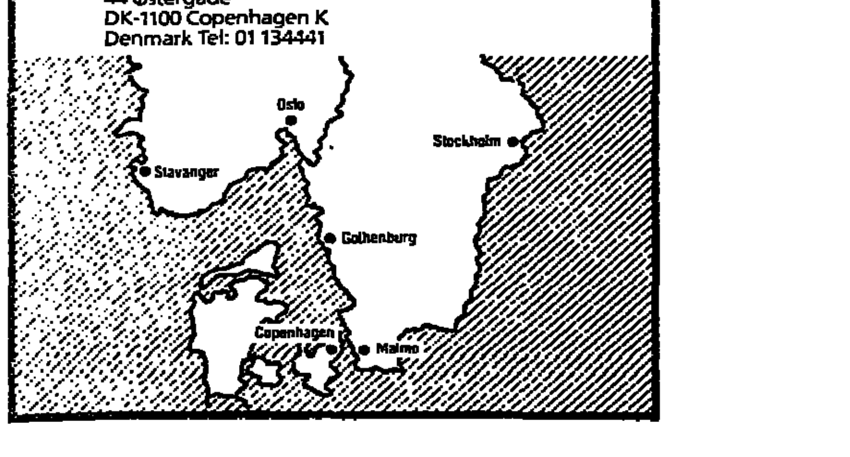
*Nasdaq national market, 2pm prices*

Continued from Page 45

| Stock | Sales (Hnds) | High | Low | Last | Chng |
|---|---|---|---|---|---|
| [illegible] | | | | | |







*Prices at 2pm. April 7*

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 12 Month High | 12 Month Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 24 | 10⅝ | AAR s | | | 30 | 86 | 22⅛ | 21½ | 21½ | −½ |
| 36 | 17¼ | AFG | | | 17 | 192 | 35¾ | 35 | 35 | −⅞ |
| 25⅝ | 10½ | AGS | | | 14 | 151 | 20¼ | 20 | 20 | −1 |
| 15 | 2⅞ | AMCA | | | | 22 | 14 | 14 | 14 | +¼ |
| 57⅞ | 37½ | AMR | | | 9 | 3681 | 53¼ | 52¼ | 52¼ | −1½ |
| 25¾ | 18⅝ | AMR pf2.18 | | 8.7 | | 3 | 25⅛ | 24⅞ | 25⅛ | +¼ |
| 21½ | 19 | ANR pf2.12 | | 10. | | 2 | 21⅛ | 21⅛ | 21⅛ | |
| 16¾ | 10⅞ | ARX | | | 13 | 95 | 14½ | 14 | 14 | −¼ |
| 56⅜ | 32¾ | ASA | 2a | 5.4 | | 262 | 37⅝ | 37 | 37 | +⅛ |
| 18⅝ | 10½ | AVX | | 2.3 | | 170 | 14⅝ | 14⅛ | 14⅛ | −⅛ |
| 30⅝ | 22½ | AZP | 2.72 | 9.1 | 8 | 1615 | 30 | 29¾ | 29¾ | −¼ |
| 86¾ | 49½ | AbtLab1.68 | | 2.1 | 21 | 1938 | 83½ | 79½ | 80⅛ | −2⅝ |
| 31⅞ | 19⅝ | AccoWd.50 | | 1.7 | 21 | 48 | 29⅞ | 29½ | 29½ | −½ |
| 24¾ | 10 | AcmeC .40 | | 3.0 | 19 | 37 | 13⅝ | 13⅜ | 13⅜ | |
| 9¼ | 7 | AcmeE.32b | | 3.9 | 15 | 50 | 8⅜ | 8¼ | 8¼ | |
| 19¾ | 16⅛ | AdaEx 1.90e | | 10. | | 70 | 19 | 18¾ | 19 | +⅛ |
| 29 | 14 | AdmMl .40 | | 1.5 | 12 | 82 | 27¾ | 27 | 27 | −¾ |
| 20⅝ | 8¾ | AdvSys1.36t | | 8.1 | 16 | 38 | 17 | 16⅞ | 16⅞ | −⅛ |
| 33½ | 22⅛ | AMD | | | | 1663 | 28¼ | 27¾ | 27⅞ | |
| 12⅝ | 8¼ | Adobe n | | | | 80 | 9⅛ | 8¾ | 8⅞ | |
| 16⅝ | 14⅝ | Adob pf1.84 | | 11. | | 8 | 16½ | 16⅜ | 16⅜ | −⅛ |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |



Continued on Page 45

# NYSE COMPOSITE PRICES

Continued from Page 44

| 12 Month High | Low | Stock | Div. | Yld. | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 8⅝ | 5⅛ | Winner | | | | 73 | 6½ | 6⅜ | 6⅜ | |
| 10¼ | 4 | WinterJ05e | .6 | | 22 | 50 | 8¾ | 8⅛ | 8¼ | −¼ |
| 49¾ | 30¾ | WiscEP2.48 | 5.4 | | 10 | 291 | 46⅞ | 46¼ | 46¼ | −⅝ |
| 47¾ | 28⅛ | WiscPL2.84 | 6.1 | | 11 | 64 | 46¾ | 46½ | 46½ | −⅛ |
| 47 | 32¾ | WiscPS2.85 | 6.3 | | 10 | 101 | 45⅞ | 45⅝ | 45⅝ | −⅛ |
| 53⅛ | 33 | Witco 1.48 | 2.9 | | 13 | 54 | 51½ | 51⅛ | 51⅛ | −⅝ |
| 14 | 8¾ | WolvrW.24 | 2.1 | | 21 | 48 | 11¾ | 11½ | 11½ | −¼ |
| 77½ | 41 | Wolwth 2 | 2.8 | | 13 | 497 | 73 | 72 | 72 | −1¼ |
| 109 | 58¼ | Wolw pf2.20 | 2.1 | | | 2 | 103 | 103 | 103 | −1½ |
| 5⅝ | 3 | WrldAr | | | | 52 | 4¼ | 4 | 4¼ | |
| 116¾ | 60⅝ | Wrigly 1.80a | 1.7 | | 17 | 306 | 111½ | 105½ | 105½ | −3¼ |
| 4½ | 2⅝ | Wurlzr | | | | 88 | 3¼ | 3¼ | 3¼ | −⅛ |
| 17½ | 10⅜ | WyleLb .32 | 2.2 | | 72 | 793 | 14¾ | 14⅜ | 14⅜ | −½ |
| 19⅞ | 15 | Wynns .60 | 3.5 | | | 31 | 17⅜ | 17⅛ | 17⅜ | |
| | | **X Y Z** | | | | | | | | |
| 72¼ | 42⅛ | Xerox 3 | 4.8 | | 14 | 2707 | 63¾ | 62¾ | 62¾ | −1¼ |
| 57⅞ | 50¾ | Xerox pf5.45 | 9.8 | | | 129 | 56⅞ | 55⅝ | 56¼ | −⅛ |
| 37 | 26 | ZaleCp 1.32 | 3.9 | | 13 | 35 | 33⅝ | 33⅝ | 33¾ | |
| 15½ | 3½ | Zapata .03j | | | | 527 | 4⅜ | 4¼ | 4⅜ | +⅛ |
| 74½ | 40¾ | Zayre s .48 | .7 | | 22 | 1031 | 71⅞ | 71¼ | 71¼ | −⅞ |
| 29¼ | 16¼ | ZenithE | | | | 1398 | 23⅝ | 22¼ | 22⅝ | −1½ |
| 38 | 13 | ZenLbs 10i | .3 | | 21 | 679 | 31⅞ | 30¾ | 30⅞ | −¾ |
| 22⅝ | 13¾ | Zero s | | | | 718 | 20⅞ | 20⅛ | 20¼ | −¼ |
| 45¾ | 26⅞ | Zurnln 1.32 | 3.3 | | 14 | 372 | 40¼ | 40 | 40 | −¼ |

*Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.*

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called d-new yearly low. e-dividend declared or paid in preceding 12 months g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

# AMEX COMPOSITE PRICES

*Prices at 2pm, April 7*

# OVER-THE-COUNTER

*Nasdaq national market, 2pm prices*

Continued on Page 43

# FINANCIAL TIMES
## WORLD STOCK MARKETS

### WALL STREET
# Fed dashes early rate cut hopes

THE FEDERAL Reserve acted firmly to discourage speculation of an early cut in its discount rate yesterday, *writes Terry Byland in New York.*

The stock market fell sharply after the Fed drained reserves from the credit market by arranging overnight matched sales, a move which also checked a strong rally by federal bonds.

Earlier the Wall Street markets had looked firm as the White House again expressed support for free market forces in world oil markets. But stock index futures fell after the Fed's action, and blue chip stock quickly followed.

By 2pm the Dow Jones industrial average was 16.52 down at 1,722.70.

Bond prices opened with losses of a full point as the dollar gained ground after the realignment of European Monetary System currencies. But the hopes of an easing in Federal Reserve credit policies brought a swift rebound to put long-dated issues around ¼ point up at one time.

The Federal Reserve's action to stem discount rate speculation, which had gathered pace over the weekend after generous liquidity help from the Fed in the previous week, wiped out the bond market's gains. The Fed intervened when federal funds were down to 7 per cent, after touching 6⅞ per cent earlier. Tensions surrounding US policies toward the plunge in world oil prices eased after Vice President George Bush ended his visit to Saudi Arabia by saying that no "common solution" had been found on how to stabilise prices.

Exxon shed an early $¼ gain to show a net fall of $¼ at $55. Other oil stocks held on to early gains with Atlantic Richfield $⅝ up at $53¾ and Chevron $¼ up at $37⅝.

Merck, the pharmaceutical leader, which often acts as a dollar-oriented stock singpost, dipped $1¼ to $163¼ as a strengthening US currency made it harder for Merck to sell overseas. Abbott Laboratories fell $2½ to $80¼. Also depressing the Dow average was further weakness in the Detroit car stocks, where poor industry sales figures, and production cuts by major manufacturers have unsettled investors. General Motors held steady at $80, but Ford, down $1⅛ at $79⅛ and Chrysler, down $1⅛ at $39⅛, met some selling.

IBM at $148 eased $¼ in modest turnover after announcing new products. Big Blue, which has been an uncertain guide to stock market fortunes recently, is currently attracting heavy review in the investment press.

Heaviest traded stock on the NYSE was Beatrice Group, up $⅛ at $49⅝ ahead of Friday's annual meeting at which stockholders will be asked to approve the Kohlberg Kravis Roberts buyout terms of $40 a share cash and $10 in preferred stock.

The money centre banks had another nervous session in the wake of the failure of a $1bn Houston Savings Bank.

Among blue chip banks, there were falls of $⅛ to $74⅞ in J.P. Morgan, of $½ to $48⅝ in Citicorp and of $⅞ to $43¾ in Chase Manhattan.

Goodyear Tire, after warning of a first-quarter loss, eased $⅜ to $33¾. A disappointing earnings forecast from 3M left the stock down $2½ at $97½.

In a weak airline sector, American dipped $1¼ to $52½. TRW facing employee anti-trust suits, lost $1⅜ to $97⅛. General Electric and United Technologies, both named in the same suit, were $1⅞ down at $71⅞ and $1¼ off at $50½, respectively. On the same defence pitch, General Dynamics fell $2⅝ to $82⅞.

Tobacco stocks regained part of last week's renewed losses on cancer suit developments. Philip Morris jumped $1¼ to $112¼ and R. J. Reynolds $⅜ to $38½.

Consumer stocks proved vulnerable to the market shakeout. Sears, Roebuck fell $1¼ to $45¼ in brisk turnover, and close behind was K mart, down $1⅜ at $44⅛.

In the credit markets, short-term rates remained weak, despite the Fed's intervention to hold rates firm. Sharp falls in CD rates, against very modest falls in treasury bills indicated a move towards quality paper, reflecting nervousness over some regional banks.

Bonds showed small net losses after a nervous trading session. The yield on the market's key long-dated issues edged above the 7.50 per cent level again.

### TOKYO
# Concern on overheating resurfaces

INVESTORS, concerned over a possible increase in crude oil prices, retreated to the sidelines in Tokyo yesterday and prices turned lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average, which gained 105 by mid-morning, finished the day at 15,061.98, down 62.35. Volume shrank from Friday's 735.97m shares to 386.11m, the lowest since 348m shares changed hands on January 28. Advances led declines by a narrow 409 to 388, with 133 issues unchanged.

The Nikkei index soared 2,218 points during March on the strength of the strong yen, falling interest rates and lower crude oil prices.

But investor concern about high stock prices and central bank governor Mr Satoshi Sumita's warning against corporations speculating in stocks and bonds had brought the average down by nearly 830 points in only four days since last Tuesday.

The market got off to a steady start yesterday in a continuation of Saturday's rise, with buying interest focusing on issues related to the Government's fiscal investment and loan programme, blue chips and some biotechnologies.

Buying began to shrink around mid-morning, however, and light selling continued to drive prices lower.

Both institutional and individual investors shied away from the market. They were discouraged by the yen's drop to Y181 to the dollar, the fading possibility of a third cut this year in Japan's official discount rate and growing prospects that a strike by Norwegian oil refiners could halt that country's crude production and boost oil prices.

Consequently, buyers concentrated on speculative issues for quick capital gains.

Penta-Ocean Construction, the most active stock with 19.91m shares changing hands, traded briskly on speculation that the construction of the Kansai international airport in western Japan would start soon. The issue gained Y24 at one stage but closed Y2 lower at Y618.

Among stocks related to the Government's fiscal investment and loan programme, Shokusan Jutaku, a lagging issue, was the second busiest with 16.14m shares traded, rising Y26 to Y635. Nihon Cement advanced Y14 to Y566 and Ohbayashi Corp Y3 to Y578.

High-priced stocks firmed. Kokusai Denshin Denwa leaped Y280 to Y30,000 and Fanuc Y190 to Y7,540.

However, Mitsubishi estate and Nippon Express, which led the bullish market in March, shed Y60 and Y28 to Y1,830 and Y782, respectively.

Large-capital Nippon Steel fell Y2 to Y170 and Mitsubishi Heavy Industries Y6 to Y389. Biotechnology issues eased, with Yamanouchi Pharmaceutical losing Y40 to Y3,270 and Takeda Chemical Y20 to Y1,400.

Bond prices opened lower, driving the yield on the 6.2 per cent government bond maturing in July 1995 up to 4.790 per cent.

Later, however, the central bank purchased three issues of government bonds totalling Y50bn, including the 6.8 per cent bond due in December 1994, which pushed the call rate on unconditional money down to 4.9375 per cent. As a result, the yield on the 6.2 per cent bond edged down to 4.695 per cent from 4.700 per cent on Saturday.

### SOUTH AFRICA

DESPITE expectations that the central bank might cut its base discount rate soon, a lack of any clear direction in Johannesburg yesterday left prices mixed to easier.

In golds, Randfontein slipped R2 to R274 and Kinross 50 cents to R44.50, while in mining financials Gold Fields firmed 25 cents to R38.25.

Diamond share De Beers were steady at R23.30.

### EUROPE
# EMS shuffle produces run to peaks

THE EMS shuffle over the weekend produced a far from dull Monday session on the European bourses with records scored in four leading centres, while a steady trickle of corporate news kept investor appetites partially satisfied.

The French-West German realignment of currencies triggered a record-breaking performance in **Frankfurt**. Car makers and banks led the Commerzbank index to a fresh peak with a 29.3 advance to 2,165.8 on the conviction that a stronger D-Mark will not hamper West German exports. The dollar's rise against the German currency over the weekend also aided sentiment.

The German stock market is now deriving renewed strength from the depressed oil price, stable inflation and tantalising prospects of lower long-term interest rates coupled with sound economic growth.

VW was the focus of attention in the cars sector as it acknowledged that it was negotiating with Olivetti on a co-operation and development pact for its Triumph-Adler office equipment subsidiary.

VW denied, however, that it was prepared to barter Triumph-Adler for a 5 per cent stake in the Italian telecommunications group although some brokers noted that the car maker might consider taking a stake in Nixdorf. VW jumped DM 25.70 to DM 625.

Daimler put on an equally impressive showing with its DM 59 surge to DM 1,409 on expectation of sharply higher results and a bonus centenary share distribution.

Among banks, Deutsche Bank firmed DM 7 to DM 870 on hopes of an imminent dividend increase for 1985 and Commerzbank added DM 13 to DM 341.5.

In the electrical computer sector, Siemens jumped DM 17 to DM 717.50 while Nixdorf scored a DM 11 advance to DM 633 partly on the VW-associated rumours.

Metallgesellschaft edged DM 1.50 higher to DM 372 on more-than-doubled net profit for 1985 and Degussa picked up DM 5.50 to DM 490.

Retailers were popular, with Karstadt DM 4 ahead at DM 397, although Horten's DM 3 gain to DM 241 was largely ascribed to the marginal rise in parent company sales for last year.

A quiet bond market, still waiting to determine the effect of the EMS rejig, saw isolated gains of up to 30 basis points in shorts. The Bundesbank market-balancing operation amounted to a meagre purchase of DM 200,000 worth of paper compared with Friday's purchase of DM 44.50m.

**Paris** enjoyed a brief EMS-inspired flurry of gains but finished mixed to easier on the day. Turnover was heavy.

BSN retreated FFr 70 to FFr 3,990 on higher profits and a dose of takeover rumours.

Among building related issues, Lafarge Coppée lost FFr 65 to FFr 1,375 despite optimistic forecasts for 1986 and Screg suffered a 11.1 per cent downturn to FFr 119.

Among car industry stocks, Peugeot firmed FFr 11 to FFr 1,150 and Michelin closed FFr 25 higher at FFr 3,290.

L'Oreal managed one of the best showings with a FFr 280 surge to FFr 3,900 while Dassault, among engineers, jumped FFr 110 to FFr 1,360.

**Brussels** continued its record setting pace with a 18.68 rise in the Belgian Stock Exchange index to 3,662.89. Brokers felt that the ½ percentage point cut in key lending rates did not aid the rally.

Solvay featured with a hearty BFr 260 rise to BFr 8,450, while retailer Delhaize jumped BFr 1,150 to BFr 12,650 despite a 22 per cent slump in profits and a proposed one-for-five stock split.

**Amsterdam** managed a fresh record as overseas buying boosted internationals. Royal Dutch picked up 10 cents to Fl 192.40 and Akzo added Fl 2.40 to Fl 181.10.

Amro gained 30 cents to Fl 106.70 amid plans for a one-for-10 rights issue.

Bonds were unchanged in thin trading.

**Stockholm** continued to enjoy the view from lofty peaks as another record was notched up on the Veckans Affarer All Share index with a 7.1 rise to 755.6.

Volvo added a further SKr 6 to SKr 371, while Electrolux, which formally incorporated White Consolidated yesterday as a subsidiary, held steady at SKr 285.

**Milan** lost ground. Fiat retreated slightly with a L265 drop to L12,625 after the weekend rights issue. Olivetti also suffered a mild dilution of strength as it dipped L470 to L16,800.

**Zurich** was mixed, **Madrid** turned dull and Oslo managed a small recovery after Sunday's strike on oil and gas installations.

### CANADA

AN EASIER trend developed in Toronto in early trading as falls narrowly led rises.

Topping the actives was Imasco which is bidding for Genstar Corporation or its Canada Trustco subsidiary. Imasco traded C$⅛ lower at C$33¼, while Genstar rose C$¼ to C$56⅜.

Elsewhere, Hiram Walker, which has denied plans to sell its home oil subsidiary, moved C$⅛ down to C$35¾, as a court hearing continued on Olympia and York's bid to block the sale of Hiram's drinks business to Allied-Lyons of the UK.

### LONDON

SMALL INVESTORS took advantage of peak prices in London and sought profits, leaving issues lower in the first trading session of the new financial year.

The FT Ordinary share index ended 20 down at 1,400.9 and the FT-SE 100 lost 21.2 to 1,688.50.

Features of the day were Standard Chartered, up 73p at 787p on hopes of a higher offer from Lloyds Bank, and Midland 15p higher on speculative demand at 568p.

The EMS realignment helped towards a revival in government securities and gains were extended to ⅝ and more at the long end of the market.

*Chief price changes, Page 41. Details, Page 40. Share information service, Pages 38–39*

### AUSTRALIA

ATTENTION was focused on Bell Resources' offer for BHP in Sydney yesterday and investors moved to the sidelines to await details of the bid.

The All Ordinaries index fell 5.2 to 1,148.5 and turnover contracted to 48.1m shares.

Details of the bid came just after the close and revealed that Bell had offered A$7.70 per share for around 21 per cent of the industrial group.

Bell Resources ended steady at A$4.80, while Bell Group, the parent company, lost 6 cents to A$7.30 and BHP gained 2 cents A$6.58. BHP has rejected the bid.

Banks were hit in the sell-off with Westpac down 14 cents at A$6.04 and ANZ 12 cents lower at A$5.78.

### SINGAPORE

SPECULATIVE ISSUES were the centre of attention in a lacklustre Singapore yesterday where falls led advances by about two to one.

The Straits Times industrial index faded 3.09 to 585.22.

Banks turned weaker. OCBC lost 5 cents to S$6.05, UOB 2 cents to S$3.08, DBS 4 cents to S$4.56 while Malayan Banking remained unchanged at S$3.78.

Plantation issues dropped, with Consolidated Plantations off 4 cents at S$1.19, KL Kepong lower by a similar amount at S$1.41 and High and Low 3 cents easier at S$1.37.

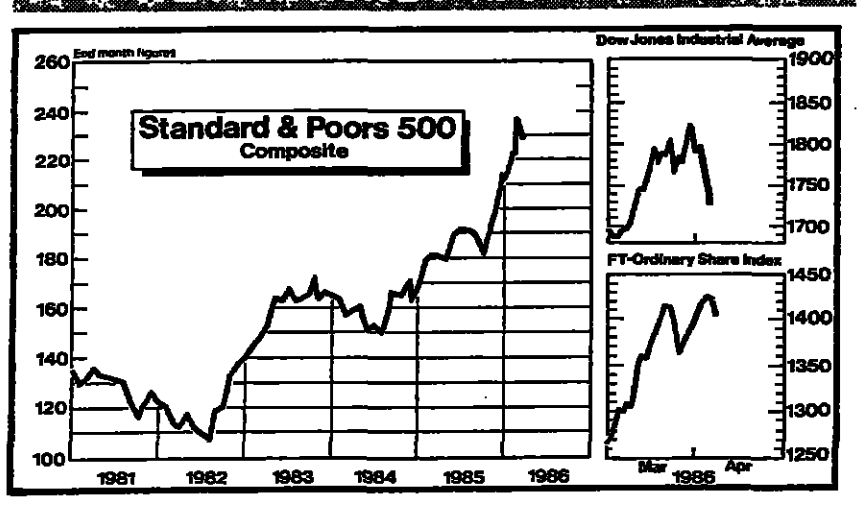
### HONG KONG

FOREIGN BUYERS returned to Hong Kong with a vengeance yesterday and the Hang Seng index posted its biggest gain in more than eight months.

It rose 47.80 to 1,691.60, while the Hong Kong index added 28.91 to 1,050.83.

Trading was suspended in HK-TVB, the television station, ahead of news that it will buy a studio complex from Shaw Brothers for HK$150m. HK-TVB was last traded at HK$5.80 and Shaw Brothers at HK$1.72.

## KEY MARKET MONITORS




**STOCK MARKET INDICES**

| | April 7 | Previous | Year ago |
|---|---|---|---|
| **NEW YORK** | | | |
| DJ Industrials | 1,722.70* | 1,739.22 | 1,259.05 |
| DJ Transport | 771.84* | 779.32 | 590.79 |
| DJ Utilities | 183.73* | 186.55 | 153.83 |
| S&P Composite | 226.70* | 228.69 | 179.03 |
| **LONDON** | | | |
| FT Ord | 1,400.9 | 1,420.9 | 962.5 |
| FT-SE 100 | 1,688.5 | 1,709.7 | 1,278.5 |
| FT-A All-share | 822.45 | 832.36 | 612.14 |
| FT-A 500 | 904.59 | 915.93 | 670.76 |
| FT Gold mines | 290.0 | 290.2 | 509.3 |
| FT-A Long gilt | 9.04 | 9.10 | 10.59 |
| **TOKYO** | | | |
| Nikkei | 15,061.98 | 15,019.81 | 12,627.1 |
| Tokyo SE | 1,205.97 | 1,202.33 | 992.43 |
| **AUSTRALIA** | | | |
| All Ord. | 1,148.5 | 1,153.9 | 842.0 |
| Metals & Mins. | 545.6 | 550.7 | 544.4 |
| **AUSTRIA** | | | |
| Credit Aktien | 115.17 | 114.66 | 74.72 |
| **BELGIUM** | | | |
| Belgian SE | 3,662.89 | 3,644.21 | 2,279.17 |
| **CANADA** | April 7 | Prev | Year ago |
| Toronto | | | |
| Metals & Mins | 2,263.7* | 2,266.1 | 2,055.0 |
| Composite | 3,019.3* | 3,017.4 | 2,604.3 |
| Montreal | | | |
| Portfolio | 1,563.53* | 1,561.71 | 128.91 |
| **DENMARK** | | | |
| SE | n/a | 244.4 | 186.06 |
| **FRANCE** | | | |
| CAC Gen | n/a | 372.1 | 215.7 |
| Ind. Tendance | 144.3 | 145.4 | 78.4 |
| **WEST GERMANY** | | | |
| FAZ-Aktien | 712.01 | 704.63 | 412.99 |
| Commerzbank | 2,165.8 | 2,085.5 | 1,194.7 |
| **HONG KONG** | | | |
| Hang Seng | 1,691.60 | 1,643.80 | 1,471.25 |
| **ITALY** | | | |
| Banca Comm. | 717.97 | 726.81 | 265.11 |
| **NETHERLANDS** | | | |
| ANP-CBS Gen | 270.1 | 269.0 | 203.6 |
| ANP-CBS Ind | 256.5 | 255.1 | 184.1 |
| **NORWAY** | | | |
| Oslo SE | 355.99 | 353.94 | 313.36 |
| **SINGAPORE** | | | |
| Straits Times | 585.22 | 588.31 | 820.64 |
| **SOUTH AFRICA** | Apr 7 | Prev | Year Ago |
| JSE Golds | – | 1,215.4 | 1,067.9 |
| JSE Industrials | – | 1,138.5 | 901.0 |
| **SPAIN** | | | |
| Madrid SE | 159.13 | 158.90 | 82.57 |
| **SWEDEN** | | | |
| J & P | 2,201.72 | 2,179.60 | 1,400.81 |
| **SWITZERLAND** | | | |
| Swiss Bank Ind | 599.5 | 601.0 | 418.4 |
| **WORLD** | April 4 | Prev | Year ago |
| MS Capital Int'l | 298.0 | 302.2 | 200.3 |

**COMMODITIES**

| (London) | April 7 | Prev |
|---|---|---|
| Silver (spot fixing) | 360.15p | 351.50p |
| Copper (cash) | £980.25 | £983.00 |
| Coffee (May) | £2,273.00 | £2,333.50 |
| Oil (Brent blend) | $14.00 | $12.25 |

**GOLD (per ounce)**

| | April 7 | Prev |
|---|---|---|
| London | $338.75 | $335.25 |
| Zürich | $339.25 | $334.25 |
| Paris (fixing) | $337.26 | $335.76 |
| Luxembourg | $336.40 | $335.75 |
| New York (June) | $342.60 | $339.40 |

**CURRENCIES**

| | US DOLLAR | | STERLING | |
|---|---|---|---|---|
| (London) | April 7 | Previous | April 7 | Previous |
| £ | – | – | 1.4575 | 1.448 |
| DM | 2.3935 | 2.389 | 3.4875 | 3.46 |
| Yen | 182.7 | 180.15 | 266.25 | 260.75 |
| FFr | 7.6175 | 7.5725 | 11.1025 | 10.965 |
| SFr | 2.012 | 1.994 | 2.9325 | 2.8875 |
| Guilder | 2.694 | 2.6975 | 3.9275 | 3.905 |
| Lira | 1,635.5 | 1,665.0 | 2,383.75 | 2,410.0 |
| BFr | 48.8 | 49.35 | 71.1 | 71.45 |
| C$ | 1.3835 | 1.389 | 2.0315 | 2.0095 |

**INTEREST RATES**

| Euro-currencies (3-month offered rate) | April 7 | Prev |
|---|---|---|
| £ | 11 | 11 5/16 |
| SFr | 4 7/16 | 4¼ |
| DM | 4½ | 4 9/16 |
| FFr | 7⅝ | 9½ |
| FT London Interbank fixing (offered rate) | | |
| 3-month US$ | 7⅛ | 7 5/16 |
| 6-month US$ | 7⅛ | 7¼ |
| US Fed Funds | 7⅝* | 7⅜ |
| US 3-month CDs | 6.75* | 7.01 |
| US 3-month T-bills | 6.24* | 6.41 |

**US BONDS**

| Treasury | April 7* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| 7⅜ 1988 | 100 18/32 | 6.815 | 100 14/32 | 6.885 |
| 7⅜ 1993 | 100 10/32 | 7.298 | 100 19/32 | 7.241 |
| 8⅞ 1996 | 110 1/32 | 7.420 | 110 22/32 | 7.332 |
| 9¼ 2016 | 120 4/32 | 7.542 | 121 30/32 | 7.413 |

| Treasury Index Maturity (years) | Return Index | April 7* Day's change | Yield | Day's change |
|---|---|---|---|---|
| 1–30 | 150.94 | +0.29 | 7.36 | –0.04 |
| 1–10 | 143.04 | +0.28 | 7.20 | –0.04 |
| 1– 3 | 134.26 | +0.20 | 6.97 | –0.05 |
| 3– 5 | 145.01 | +0.27 | 7.32 | –0.04 |
| 15–30 | 179.23 | +0.32 | 7.93 | –0.01 |

Source: Merrill Lynch

| Corporate | April 7* Price | Yield | Prev Price | Yield |
|---|---|---|---|---|
| AT & T | | | | |
| 10⅜ June 1990 | 101⅞ | 9.85 | 101⅞ | 9.85 |
| 3⅞ July 1990 | 89½ | 6.77 | 89½ | 6.77 |
| 8⅞ May 2000 | 98 | 9.00 | 98 | 9.00 |
| Xerox | | | | |
| 10⅞ Mar 1993 | 108⅞ | 8.04 | 108⅞ | 8.04 |
| Diamond Shamrock | | | | |
| 10⅞ May 1993 | 102 | 10.01 | 102 | 10.01 |
| Federated Dept Stores | | | | |
| 10⅞ May 2013 | 111 | 9.49 | 111 | 9.49 |
| Abbot Lab | | | | |
| 11.80 Feb 2013 | 111⅞ | 10.50 | 111⅞ | 10.50 |
| Alcoa | | | | |
| 12⅜ Dec 2012 | 111⅞ | 10.94 | 111⅞ | 10.94 |

Source: Salomon Brothers

**FINANCIAL FUTURES**

| CHICAGO | Latest | High | Low | Prev |
|---|---|---|---|---|
| **US Treasury Bonds (CBT)** 8% 32nds of 100% | | | | |
| June | 100–13 | 100–25 | 99–04 | 100–11 |
| **US Treasury Bills (IMM)** $1m points of 100% | | | | |
| June | 94.24 | 94.27 | 94.18 | 94.20 |
| **Certificates of Deposit (IMM)** $1m points of 100% | | | | |
| June | 93.48 | 93.48 | 93.45 | 93.42 |
| **LONDON** | | | | |
| **Three-month Eurodollar** $1m points of 100% | | | | |
| June | 93.15 | 93.15 | 93.10 | 93.03 |
| **20-year Notional Gilt** £50,000 32nds of 100% | | | | |
| June | 126–16 | 126–18 | 125–25 | 125–24 |

* Latest available figures